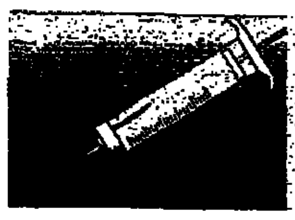
FINANCIAL TIMES



Ailing industry
Biotechnology's painful treatment
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Chinese lesson
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World Business Newspaper THURSDAY FEBRUARY 23 1995

Wallenberg moves to separate Saab and Scania

Sweden's Wallenberg empire announced a restructuring of Saab-Scania, the vehicle and aerospace group that forms a key part of the family's industrial holdings. The move to split the company and separate its 50 per cent holding in Saab Automobile opens the way for Investor, the main Wallenberg holding company, which took over Saab-Scania in 1991, to extract more value from the group through further restructuring or a partial flotation. Page 19

NTL plans to transmit digital TV in UK by 1997

NTL, privatised transmission arm of the former UK Independent Broadcasting Authority, plans to build Britain's first digital television network using ground-based transmitters. The service, to be completed by 1997, will offer far more channels and improved picture quality at moderate cost. Andy Sukawaty, NTL chief executive, said the network would give the UK substantial export potential both for technology manufacturers and programmers.

EU vote on animal transport: The French *presidency of the European Union, frustrated at* failing to secure agreement on the conditions under which animals are transported, is prepared to settle for a majority decision on more humane regulations. Page 25

Philips raises dividend by 150%: Dutch electronics group Philips more than doubled annual net profits to Fl 2.05bn ($1.25bn), helped by rising demand for semiconductors. The company lifted its dividend by 150 per cent. Page 19

Commerzbank to invest in direct banking: Commerzbank of Germany plans to invest more than DM100m ($65m) in its direct banking service over the next five years, extending the range of services from securities purchases and money market-based investments to insurance and other products. Page 19

IG Metall to target strikes on Bavaria: Strikes in the western German engineering industry, due to start at midnight tonight, are likely to be limited to Bavaria, where the IG Metall union announced a clear vote in favour of industrial action in support of a 6 per cent pay claim. Page 2; Lex Page 18

GDP figures hint at home-based recovery: A hint that the UK recovery may be moving away from export-led growth towards a more domestic-based recovery emerged in gross domestic product data from the Central Statistical Office. Page 10

Argentina raises $230m from T-bill sale: Argentina raised $230m in an auction of 90-day dollar-denominated treasury bills, but had to pay a coupon of 11.6 per cent, 120 basis points more than in last week's auction. Page 4

French franc at 16-month low: The French franc fell to a 16-month low against the D-Mark as investors reacted to setbacks facing prime minister Edouard Balladur and to opinion polls which suggested the French presidential contest was wide open. Page 2

Japan pressed to keep Eximbank: The World Bank and International Monetary Fund urged Japan to abandon plans to break up the Japan Export-Import Bank, an important lender to developing countries. Page 8

Manila to spend up to $15bn on arms: A bill guaranteeing the Philippine armed forces $7bn-$15bn to buy weaponry over the next 15 years was signed by President Fidel Ramos. Page 8

Setback for changes at Lloyd's: Reformers' hopes of an early shake-up of the Lloyd's of London insurance market's broker-dominated system of selling commercial insurance policies were set back by an internal report on Lloyd's strategy. Page 10

US seeks end to WTO deadlock: The US said the deadlock in the contest for the top job at the World Trade Organisation would only be broken if the three declared candidates withdrew in favour of an outsider. Page 18

Acorn to raise £17.2m: Acorn Computer Group, UK-based computer manufacturer controlled by Olivetti of Italy, is to raise £17.2m ($26.7m) in a one-for-three rights issue to finance expansion into the interactive multimedia market. Page 24

Screenwriter Robert Bolt dies: Oscar-winning screenwriter Robert Bolt, husband of actress Sarah Miles, died at his home in southern England, aged 70. Mr Bolt who had a history of heart trouble, won Oscars for *Dr Zhivago*, *Lawrence of Arabia* and *A Man For All Seasons*. Obituary. Page 15

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	3981.8	(+17.83)
NASDAQ Composite	787.03	(+2.41)
Europe and Far East		
CAC40	1804.37	(-1.25)
DAX	2093.16	(-3.86)
FT-SE 100	3019.5	(-3.9)
Nikkei	18106.65	(+10.40)

■ US LUNCHTIME RATES	
Federal Funds	5 13/16%
3-mth Treas Bills: Yld	5.843%
Long Bond	100 7/16
Yield	7.572%

■ OTHER RATES		
UK: 3-mo Interbank	6 3/4%	(same)
UK: 10 yr Gilt	96 15/16	(+1/32)
France: 10 yr OAT	95.98	(-0.19)
Germany: 10 yr Bund	93.46	(-0.04)
Japan: 10 yr JGB	97.415	(+0.123)

■ NORTH SEA OIL (Argus)		
Brent 15-day Apr	$16.95	(16.97)

■ GOLD		
New York: Comex		
Apr	$381.5	(380.6)
London:		
close	$378.95	(378.8)

■ DOLLAR		
New York: lunchtime		
£	1.58765	
DM	1.48745	
FFr	5.129	
SFr	1.2455	
Y	96.875	
London:		
£	1.5873	(1.5809)
DM	1.4679	(1.4796)
FFr	5.1345	(5.154)
SFr	1.2445	(1.2506)
Y	96.975	(97.425)

■ STERLING		
DM	2.3299	(2.339)
Tokyo close:	Y 96.93	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr230	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42.000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40.000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

UK prime minister stakes Conservative party's hold on power on radical plans

Major bids for lasting Ulster peace

By John Kampfner in Belfast and Robert Peston in London

Mr John Major, the UK prime minister, yesterday staked his government's slender hold on power in an attempt to secure a lasting peace in Northern Ireland.

In publishing radical proposals for a political settlement to Northern Ireland's troubles – agreed by the UK and Irish governments – he alienated Unionist MPs and upset pro-Union members of the Conservative Party.

The framework document outlines a new assembly for the province and gives the Irish parliament increased influence over the north through the creation of a new North-South body with executive powers.

It also paves the way for the abandonment of the Irish Republic's territorial claim over Northern Ireland, subject to a referendum, and says that the UK government will allow the people of Northern Ireland to decide whether they wish to remain part of the Union.

"We seek to help peace, but we are very well aware that only the people of Northern Ireland are able to deliver it," Mr Major said in Belfast at a joint press conference with Mr John Bruton, the Irish prime minister, to launch the proposals.

The plans were launched after months of intense negotiations between the two governments, which are trying to find a permanent end to the conflict between protestants in Northern Ireland who wish to remain in the United Kingdom and Catholic nationalists who wish to be united with Ireland. After 25 years of violence the province has known six months of peace since the nationalist IRA called a ceasefire last year.

The tone and content of the proposals were roundly condemned by Unionists, whose support has been crucial to the government since nine Eurosceptic Tory MPs were suspended from the parliamentary party at the end of last year.

Mr Ken Maginnis, the Ulster Unionist MP, complained it set the peace process back ten years and represented a "dishonourable blueprint for all-Ireland".

A senior British minister said it was "highly significant" that the Ulster Unionists had not said they would abandon all involvement in negotiations. However several Conservative backbench MPs agreed with Unionists that the document conceded too much to the Nationalists.

Their concerns were reinforced when Mr Gerry Adams, the leader of Sinn Féin, the political wing of the IRA, said the document "points the way in the right direction".

The British and Irish prime ministers sought to allay Unionist concerns, saying that any new constitutional arrangements would be imposed only if they received the consent of Northern Ireland's political parties, the people of the province and the parliaments of both countries.

Mr Major said: "Just as people cannot be held within the Union against their will, so equally they will never be asked to leave it in defiance of the will of the majority."

One area of alarm for Unionists the proposed North-South body, which would be set up by the UK and Irish governments, rather than by a mooted Northern Ireland assembly, as the Unionists would prefer.

Another concern is a proposal that, in the event of the collapse of a Northern Ireland assembly, the UK government would press ahead with "other arrangements . . . to implement the commitment to promote co-operation at all levels between the people. North and South".

Details and analysis, Page 10
Editorial Comment, page 17
Tortuous path to Irish peace, Page 17

PROPOSALS FOR PEACE

- A new Ulster assembly, with executive and legislative responsibilities, to be elected by proportional representation.
- A north-south body to handle relations between Northern Ireland and the Irish Republic – all decisions to be "by agreement between the two sides".
- Dublin to dilute its territorial claim over Northern Ireland.
- London to incorporate for the first time the principle of consent into constitutional legislation on the province.
- A more broad based agreement between the British and Irish governments to develop and extend bilateral co-operation.
- A possible charter of rights for everyone living in Northern Ireland and the Irish republic.

John Major (right) and his Irish counterpart John Bruton leave Hillsborough Castle outside Belfast Reuter

France expels US envoys on charges of 'spying'

By Andrew Jack in Paris

The French government yesterday ordered five US citizens, mostly diplomats, to leave the country for alleged industrial espionage, putting relations between Paris and Washington under severe strain.

A joint statement released late yesterday by the French ministries of foreign affairs and of the interior said there were a number of US citizens whose activities in France were "incompatible with the status by which they are residents in the country".

The French action came after revelations in Le Monde, the daily newspaper, that the French counter-intelligence service had uncovered a network of at least five agents, including four diplomats, working for the Central Intelligence Agency.

The newspaper alleged that the spies had been working on issues related to French-American business rivalries, in industries including telecommunications and audio-visual electronics, and differences between the two countries concerning the General Agreement on Tariffs and Trade. *It said there were 80 US agents* in France including 30 who are clandestine.

Ms Pamela Harriman, the US ambassador to France, was summoned yesterday to the Matignon, the office of Mr Edouard Balladur, the prime minister, but refused to comment. In Washington, Mr Mike McCurry, the White House press secretary, said: "There is precious little I can say at this moment."

Mr Balladur attempted to play down the impact of the affair: "The French people are friends of the American people and the French government is a friend of the American government. Events like that occur regularly on both sides of the Atlantic."

However, his concern was evident when he added pointedly that "in such affairs we need mutual confidence". French

Continued on Page 18

Greenspan sees slowdown in US economy

By George Graham in Washington

The US economy may finally be slowing to a sustainable pace with inflation under control, Mr Alan Greenspan, chairman of the US Federal Reserve, told Congress yesterday in a generally optimistic assessment.

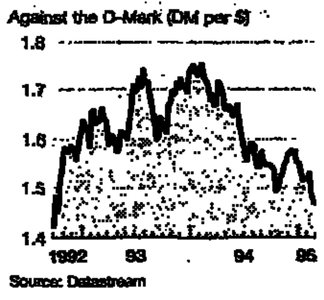
In his twice-yearly report on monetary policy to the Senate banking committee, Mr Greenspan also held out the possibility that the Fed could move to lower interest rates if it felt underlying inflationary pressures were under control.

Some investors interpreted this as a signal that the Fed's string *of interest rate increases might* be coming to an end. The US 30-year bond rose by 1/8 in response, and shorter term Treasury bills showed even stronger gains. Equities followed the bond market, and at noon the Dow Jones industrial average was up 14.47 at 3,978.44.

Mr Greenspan said most members of the Federal Reserve board expected a slight increase in the inflation rate this year to between 3 and 3½ per cent, with growth slowing to between 2 and 3 per cent.

Dollar

Against the D-Mark (DM per $)



Source: Datastream

While growth in 1995 "almost surely will pale in comparison with that of the previous two years" and inflation "may even tick up temporarily," the overall performance of the economy should be good. "We expect growth to continue and inflation to be contained," Mr Greenspan said.

Noting that the Fed had raised interest rates seven times over the last year to head off inflation pressures that had not yet shown up in the price indices, Mr Greenspan said that in future the Fed might lower rates, even if the price statistics were unfavourable. This would be possible "should we see signs that underlying forces are acting ultimately to reduce inflation pressures."

Senator Paul Sarbanes, the senior Democrat on the banking committee, has complained for months that the Fed has tightened too aggressively, but he was joined yesterday by Senator Alfonse D'Amato, the committee's Republican chairman. "The frequency and size of interest rate increases is taking a heavy toll on individuals, working families and even large corporations," Mr D'Amato said.

Mr Greenspan said that a low unemployment rate and high industrial capacity utilisation rates were reasons for concern that inflation could start up: anecdotal evidence of labour shortages, slower deliveries and higher raw material prices added to this concern.

But increases in wages "are a good thing if they can be achieved without commensurate acceleration in prices," he added.

Philip Gawith writes: The surprisingly dovish tone of Mr Greenspan's testimony prompted selling of the dollar, which fell to its lowest level since October 1992 against the D-Mark. It finished in London at DM1.4679, from DM1.4796. Markets fear US *interest rates are reaching a plateau* just as German rates are about to start rising.

Fed sees growth slowing, Page 6; Lex, Page 18; Currencies, Page 27

Demerger primes Hanson for UK bid

By David Wighton in London

Hanson, the Anglo-US conglomerate, is to reduce its debt by £855m ($1.35bn) by demerging a group of 34 US industrial businesses. The announcement yesterday increased speculation that it is poised to make a substantial bid.

Hanson has made no secret of the fact that it is ready to make a large acquisition, preferably of a non-cyclical business in the UK. Yorkshire Electricity and United Biscuits have been among the many rumoured targets.

The US industrial businesses, which include Jacuzzi and Ertl toys, are to be formed into a US-quoted company whose shares will be given tax-free to Hanson's existing shareholders.

To be called US Industries, the company will pay Hanson $1.35bn from a new $1.65bn bank facility, reducing Hanson's gearing – its borrowings as a percentage of share capital – from 58 per cent to 38 per cent.

Mr Derek Bonham, chief executive, said Hanson was "hungry" to repeat the success of its Quantum Chemicals acquisition in 1993. "We didn't need to do this to do a reasonably sized acquisition. But it will give us mammoth capacity."

The new company will be headed by Mr David Clarke, currently chief executive officer of Hanson's US arm, who was long seen as Mr Bonham's rival to succeed the company's founders, Lord Hanson and Lord White. Mr Clarke said it was a difficult decision to leave the group after 22 years but he was attracted by the idea of running his own Fortune 500 company. "It is a great opportunity for management and shareholders," he said.

Hanson had already signalled its intention of disposing of its smaller US businesses and recently abandoned a planned US flotation of Ertl.

Mr Bonham said Hanson had decided it wanted to speed up the process. "This is an elegant and clean solution where the potential upside goes to Hanson shareholders."

US Industries will have sales of around $3bn, making it one of the top 160 US industrial companies in terms of turnover. But it will

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NEWS: EUROPE

EUROPEAN NEWS DIGEST

OSCE begins Chechen probe

The Organisation for Security and Co-operation in Europe, successor to the CSCE, yesterday despatched a fact-finding mission to examine alleged human rights violations in Chechnya, amid claims from authoritative Russian sources that at least 24,000 civilians have been killed in the breakaway region in the past two months.

The Russian authorities have been keen to downplay reports about the continuing intensity of the fighting as the government today resumes sensitive talks with the International Monetary Fund about a $6.25bn (£4bn) package of financial assistance. But witnesses yesterday reported renewed skirmishes between Russian and Chechen forces on the outskirts of Grozny and in Goity, just south of the Chechen capital.

Mr Sergei Kovalyov, Russia's human rights commissioner, who has spent much time in Chechnya, this week claimed 24,000 civilians had been killed in Grozny alone in the past two months. The death toll included 3,700 children under the age of 15 and 4,650 women, Mr Kovalyov said. Russian defence ministry sources estimate that about 1,000 servicemen have been killed in the conflict. The mission from the OSCE will be the second to report on the Chechen conflict. The first mission, which visited Chechnya in January, submitted a report to the OSCE but did not publish its findings. *John Thornhill, Moscow*

IMF mission visiting Moscow

An International Monetary Fund mission arrives in Moscow today to resume talks about a possible $6.25bn budget support package amid high expectations in the Russian government that an agreement can be swiftly concluded. Mr Sergei Aleksashenko, the deputy finance minister and one of the chief architects of this year's budget, said "practically all the outstanding issues" had been settled with the IMF following recent correspondence between Mr Viktor Chernomyrdin, the prime minister, and Mr Michel Camdessus, IMF managing director. "The only thing to be decided is the tranches of the loan," Mr Aleksashenko said, suggesting Mr Camdessus would come to Moscow by March 8 to sign a deal. The IMF declined to comment on Mr Aleksashenko's remarks but it is clear there remain several obstacles to a quick conclusion of a deal. The IMF mission will first await the conclusion of the current parliamentary debate about the 1995 budget. Its third reading yesterday met stiff opposition from the agrarian faction, which is demanding another Rbs750bn ($170m) be spent on agriculture this year. *John Thornhill*

Russia-Belarus to tighten ties

Russia and Belarus will press ahead with re-integration despite the reluctance of most other members of the Commonwealth of Independent States to deepen political and economic ties. Mr Boris Yeltsin, Russia's president, who yesterday concluded a two-day official visit to Belarus, said: "Our states have taken a firm course towards a common market in goods, services, capital, labour as well as for co-operation in investment, industry and finance." Predominantly Russian-speaking, Belarus has close ties with Russia and has been supportive of attempts to re-integrate the CIS. In a speech in Minsk, capital of Belarus, Mr Yeltsin said that Kazakhstan might also join the two Slavic states in their closer union. "A new nucleus will form inside the CIS whose members would move forwards more boldly and quickly," he said, although he ruled out the possibility of a common rouble zone. Mr Yeltsin, and his Belarussian counterpart, Mr Alexander Lukashenko, signed a framework treaty on friendship and co-operation pledging to co-ordinate security and foreign policy. *John Thornhill*

Flynn moves on parental leave

Mr Padraig Flynn, EU Commissioner for social affairs, yesterday asked the European employers' federation, Unice, and the European Trade Union Confederation to consider EU-wide parental leave provisions. Mr Flynn's request comes four months after Commission proposals on parental leave for men and women were vetoed by the UK in the social affairs council where a unanimous vote was required. Mr Michael Portillo, the UK employment secretary, objected to the leave provisions applying to men. Under an annex to the social protocol of the Maastricht treaty, the Commission can ask unions and employers at European level to negotiate specific areas of social policy. Although Britain has an opt-out clause on the social protocol, the British Confederation of Industry and the British Trades Union Congress are represented in the European employer and union bodies. *Caroline Southey, Brussels*

German companies cautious

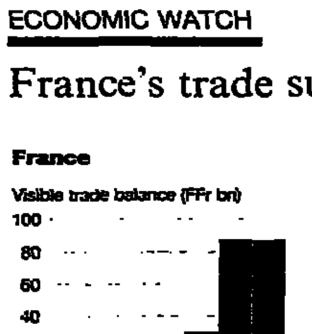
Despite signs that Germany's economic recovery is well under way, many companies are still reluctant to invest and hire staff, according to a survey of 25,000 companies conducted by the German Federation of Chambers of Commerce (DIHT). "The economic barometer at the beginning of this year is still set on variable," said Mr Franz Schoser, the DIHT director. Confidence is highest among export-orientated companies, while the mood is more downcast at construction companies and consumer-oriented industries where companies are feeling the slowdown in consumer spending, caused partly by higher taxes at the beginning of the year. However, 29 per cent of companies planned to increase investment this year, while 24 per cent expected to have to trim budgets, representing the first positive balance since February 1991. But there was little evidence that the recovery would create many new jobs for Germany's 3.85m unemployed. Twelve per cent of the companies surveyed said they planned to take on more staff, while 61 per cent would retain current levels and 27 per cent would shed staff. The DIHT survey, one of two conducted each year, coincided with another study published by the Ifo economic institute which showed a slight decline in its January business confidence index for western Germany to 105.1 points from 105.7 in December. *Michael Lindemann, Bonn*

ECONOMIC WATCH

France's trade surplus soars

France

Visible trade balance (FFr bn)



Source: Datastream

France recorded a monthly trade surplus of FFr12.7bn (£1.54bn) in December, up from FFr6.65bn in November, according to seasonally adjusted statistics released yesterday by the customs office. December's greater than expected figure takes the annual surplus to FFr87.77bn, just shy of the record FFr88.06bn achieved in 1993. Mr José Rossi, the industry minister, said: "This surplus is all the more remarkable because it is now being generated at a period of significant import recovery." The surplus reflected a strong increase in exports, up 5.3 per cent to FFr119.46bn for the month. Imports remained largely stable at FFr106.75bn. The trade surplus with the rest of Europe increased, while the deficit with Japan declined. December's figures were boosted by a rise in sales of Airbus aircraft. Separate statistics released yesterday showed household spending on manufactured goods fell by a seasonally adjusted 1.9 per cent last month. *John Ridding, Paris*

■ Portugal's total trade deficit for January to November 1994 was Es1,308.5bn (£5.3bn), up Es24.8bn from Es1,283.7bn in the same period of 1993.

■ Industrial production in the Netherlands rose 3.5 per cent in December, after being unchanged, on revision, in November. The December figure was up 11.9 per cent on December 1993.

■ Switzerland's federal deficit for 1994 was SFr5.1bn (£2.53bn), SFr1.9bn less than budgeted.

Balladur's political setbacks hit franc

By John Ridding in Paris

The French franc fell to a 16-month low yesterday as investors reacted anxiously to a series of setbacks facing Mr Edouard Balladur, the prime minister, and to opinion polls which suggested the French presidential contest was wide open.

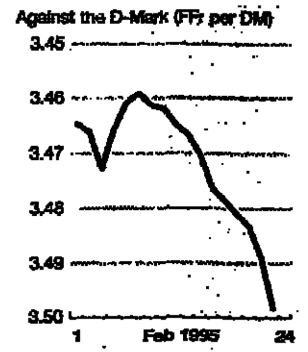
Three separate polls released since Monday evening showed that Mr Balladur's main rivals for the presidency have closed the gap on the prime minister, long the front-runner in the campaign. Investor concern has been fuelled by a phone tapping scandal which has brought the prime minister and Mr Charles Pasqua, the powerful interior minister, into the political firing line.

The increased political uncertainty combined with broader upheaval in international currency markets to push the French franc down to FFr3.50 to the D-Mark, its lowest level since October 1993. At the close of trading on Tuesday it had been FFr3.4865 to the German currency.

Economists said the fall in the currency partly reflected the general strength of the D-Mark. But they said the principal cause was the turnaround in the French political situation. "The main reason lies in political factors and the polls," said Ms Esther Baroudy, senior economist at

French franc

Against the D-Mark (FFr per DM)



Source: Datastream

Crédit Lyonnais in Paris. The various polls all showed a sharp decline in support for the French prime minister compared with his principal rivals, Mr Jacques Chirac, the Gaullist mayor of Paris, and Mr Lionel Jospin, the Socialist candidate.

According to a BVA poll, Mr Jospin had edged ahead of Mr Balladur in voting intentions for the first round of the April/May election. The prime minister retained an edge over Mr Jospin in the second round, but is neck-and-neck with Mr Chirac should the two face each other in the second round run-off.

The French prime minister is generally favoured by investors because he is regarded as more committed to anti-inflationary policies and fiscal orthodoxy than his principal rivals. Last week, Mr Chirac, demanded that priority be given to the fight against unemployment and criticised the government for placing too much attention on the financial markets. Mr Jospin will outline detailed policy proposals at the beginning of March, but he has already said he would put a halt to privatisations and has indicated that he favoured wage increases to stimulate consumption and employment.

Mr Balladur's ordeals prompted his supporters to urge unity within the conservative ranks. Mr François Léotard, the defence minister, said that divisions, which have been exacerbated by the wire-tapping scandal, threatened a third consecutive presidential election defeat for the right. "We must avoid a political ambush," he said.


Under fire: French prime minister Edouard Balladur (left) and budget minister Nicolas Sarkozy, a key party ally, leaving the Elysée Palace yesterday after the weekly cabinet meeting *Reuter*

Political analysts said, however, that the decline in support for the prime minister could draw other candidates into the contest, further exacerbating divisions on the right. Mr Raymond Barre, the centrist prime minister, said yesterday that he was still weighing whether to contest the election. If he does, he is expected to draw support from the prime minister.

Mr Barre said that with about half of the electorate still undecided about their preferred candidate, the contest was wide open.

Divisions may pose an equally important problem for the left, however. The Radical party last night appeared to be heading towards the nomination of its own candidate, Mr Jean-François Hory, despite attempts by some of its leaders to guarantee support for Mr Jospin.

The more volatile political situation is expected to prompt a turbulent period for the French currency. Economists said yesterday that further falls were likely, but played down the prospect of a rise in interest rates by the Bank of France.

Portugal voices caution over Emu

By Peter Norman, Economics Editor

Mr Eduardo Catroga, the Portuguese finance minister, yesterday indicated that his country would want to judge joining a European economic and monetary union on its merits rather than feel compelled to join under the terms of the Maastricht Treaty.

In an apparent watering down of Portugal's commitments as a signatory of the treaty, Mr Catroga said in an interview that it depended on the "concrete scenario" at the time of Emu's creation as to whether Portugal would join.

Under the Maastricht treaty, Portugal, like most European Union countries, agreed that it should become a member of Emu either in 1997, provided it met the treaty's economic convergence criteria and a majority of EU states were ready to go ahead with the project, or in 1999, when any EU country meeting the convergence criteria is obliged to join Emu. Only Britain and Denmark negotiated opt-outs from these terms.

But yesterday Mr Catroga made clear that Portugal should have more control over its position when and if Emu is established. "At that time Portugal has to judge what will be the best option for the Portuguese economy and analyse what would be the composition of the group" of countries forming the monetary union, he said.

He said Portugal was pursuing economic policies geared towards fulfilling the Maastricht Emu criteria of low inflation and low budget deficits and debt because these were sound criteria. It was critical to continue these policies. "We must place ourselves to be free to decide (on Emu)."

The question as to whether Portugal would be in the first group of countries forming Emu was "not the critical issue at the moment", he said. Nobody could foresee the exact circumstances that would apply in 1997, or 1998, or 1999, he added.

Mr Catroga said Portugal could become a member of Emu even if Spain, its much larger neighbour, could not. He pointed out that Portugal's economic performance was better than Spain, Italy or Sweden.

Thanks to economic liberalisation in recent years, Portugal had achieved faster growth than the average of EU countries and was now growing strongly after recession in 1992-93, Mr Catroga said.

He added that because of fast growing exports and growing importance of higher value-added sectors in the economy, the government expected real growth would be more than 3 per cent this year and more than 4 per cent in 1996. This compares with recent forecasts from the Organisation for Economic Co-operation and Development (OECD) of growth of 2.6 per cent this year and 2.9 per cent in 1996. Mr Catroga said the government would press ahead with liberalisation and privatisation. Portugal plans that TAP, the loss-making state airline, should be ready for sale in 1996 or 1997 after restructuring, he added.

Italy's rate rise fails to halt slide in lira

By Robert Graham in Rome

The lira weakened further yesterday despite the Bank of Italy's decision to raise the discount rate on Tuesday night by 0.75 percentage points to 8.25 per cent.

At one stage the lira broke through the L1,100 psychological barrier against the D-Mark, touching L1,107. But in a day of sharp oscillations, the official fixing was at L1,099 against the German currency – compared with the previous day's L1,095.

Market analysts said the fresh fall in the value of the lira reflected continuing uncertainties about the mini-budget being prepared by the government headed by Mr Lamberto Dini, the former director general of the Bank of Italy. This centred on the precise nature of the measures and the degree to which unpopular tax increases would have the support of the other parties.

To reassure the markets, the Dini government announced the measures were due to be finalised at a cabinet meeting today. The government aims to raise an extra L20,000bn (£8bn) to hold the 1995 budget deficit down to 8 per cent of GDP. Of this, some L15,000bn is likely to come from fresh taxes and the remainder in spending cuts.

But the government's efforts to provide credible evidence of tackling Italy's ailing public finances were again being undermined yesterday by the hardline stance of Mr Silvio Berlusconi, the former prime minister. Mr Berlusconi and his supporters insisted the lira's weakness resulted from lack of political stability which only a fresh general election could resolve. At a press conference, he was reluctant to give a helping hand to Mr Dini,

'It was a costly decision which will have a direct impact on Italy's public finances'

whom he recruited to be his treasury minister.

The Bank of Italy explained its decision as being "primarily to halt the resurgence of inflation and the worsening of inflationary expectations".

The bank has been aware of these pressures for some time, but the move was prompted by the release of preliminary figures for February showing inflation had jumped from an annualised 3.8 per cent to 4.4 per cent. Another consideration was the ineffectiveness of the bank's support for the lira over the the previous week. The central bank was apparently reluctant to risk a further drain on its reserves.

The interest rate rise, the first since last August, was generally accepted as a painful but necessary defensive move. Yesterday, one prominent economist commented privately it was unfortunate that the Bank of Italy had been obliged to react rather than anticipate events. This, he said, risked carrying less weight with the markets.

A more critical comment came from Mr Antonio Martino, the free market economists and foreign minister in the previous government, who questioned whether rate rises can fight turbulence in the currency markets. He added: "It was a costly decision which will have a direct impact on Italy's public finances."

Of all the major industrial economies Italy is the most vulnerable to any adjustment of interest rates because of its mountain of debt that now stands at 125 per cent of GDP. Every percentage point rise in the discount rate adds L15,000bn to the annual cost of debt service. Precisely because of the extra cost, press reports yesterday said the government had sought to persuade the bank to hold the increase to 0.50 per cent. But in the end both the central bank and government accepted the need for a "strong signal".

Such consultation was in contrast with the decision on the discount rate last August. Mr Antonio Fazio, the governor, only informed Mr Berlusconi once the decision had been made.

IG Metall set to choose soft strike targets

By Christopher Parkes in Frankfurt

The first strikes in the western German engineering industry for 11 years, due to start at midnight tonight, seem likely to be short-lived and limited to Bavaria, where the IG Metall union yesterday announced a clear vote in favour of industrial action in support of a 6 per cent pay claim.

Mr Martin Kohlhaussen, chairman of Commerzbank, echoed widespread views, saying he could not imagine the conflict developing into a national stoppage, or even into action affecting the whole of Bavaria. "The people involved are too rational," he told foreign journalists.

While negotiations over a similar demand for chemicals industry employees continued calmly and appeared headed for a peaceful solution last night, the IG Metall national leadership met to discuss strike tactics.

Early indications from the union suggested early targets would be a limited number of factories in the north of Bavaria, carefully selected to avoid secondary effects on other plants. The strikes would be the first in the sector in Bavaria since 1954. Nevertheless bearing producers in Schweinfurt – where stoppages would quickly hit production in many industries – were expected to be excluded from the early action, union officials said. Car plants of the BMW and Audi groups were also expected to escape early industrial action.

Employers, meanwhile, pointedly lowered the temperature by postponing until next week a meeting originally called for tomorrow to discuss lock-outs and other countermeasures. Officials said the postponement was intended to signal their continued readiness to reopen talks.

The timing for the start of the strikes – on a day when factories usually wind down and close early for the weekend – also appeared to indicate the union's desire to cause minimum disruption, at least in the early stages.

Monday, the start of Germany's annual carnival week, is also traditionally taken as a holiday – official or unofficial – in many factories and offices.

Despite some harsh rhetoric from junior officials from both sides yesterday, the tone was ritualistic rather than overtly aggressive, and the atmosphere remained calm. The Frankfurt stock market weakened for the third day in succession, although traders said this was more a result of Bundesbank warnings about inflation than concern over industrial unrest.

Turbulence over new Berlin airport

Plans have become entangled in a web of conflicting interests, writes Judy Dempsey

It seemed a great idea at the time. As soon as the Berlin Wall was torn down in November 1989, and the decision was made a year later to move the government to Berlin by the turn of the century, the city's politicians decided it was time to lobby hard for a new airport.

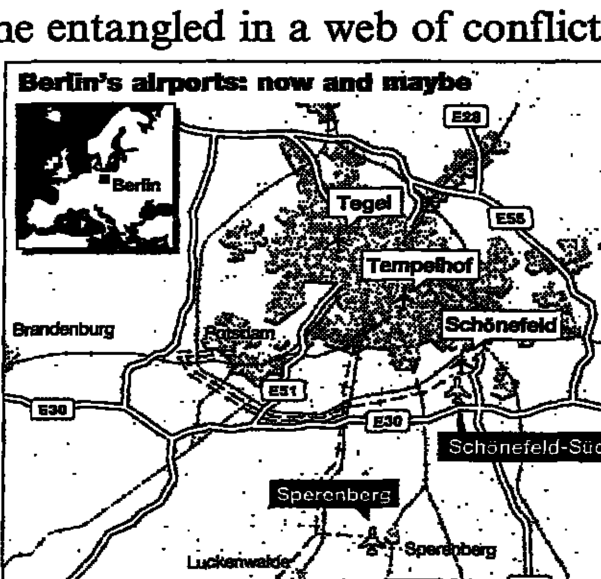
And it was to include private sector financing. "We have institutional investors waiting to become involved," said Mr Nick Jefcoat, director of the German branch of Kleinwort Benson, the UK-based investment bank.

But nearly five years later, plans for a new airport have become entangled in a web of conflicting interests, pitting the state of Berlin against the state of Brandenburg, east Germans against west Germans, Berlin against the federal government, and Berlin's airport authorities against its counterparts in Munich and Frankfurt.

It all started when Berlin Brandenburg Flughafen Holding (BBF), the Berlin airports company, decided the city's three airports – Tegel, Templehof and Schönefeld – were operating at levels close to capacity. Currently, about 10m passengers use the three airports each year.

BBF, whose shareholders include the federal government, which has a 26 per cent stake, and the states of Berlin and Brandenburg, which each hold 37 per cent, started looking for ways to expand one of the three airports or find a new site. "We have tried to be objective," said Mr Gotz Herberg, a BBF board member. "A new airport is needed. It is not too late for the airport to be a hub for central Europe. However, I admit the entire planning procedure has become very emotional."

Berlin's airports: now and maybe



An official from the federal accounting office, the watchdog overseeing how public finances are spent, said: "Time and money has been lost in making this decision, largely because of interference from these provincial politicians, and inflated expectations. At one stage, BBF actually believed it could attract at least 35m passengers," he added. Some 35m passengers use Frankfurt each year.

First to enter the ring was Mr Eberhard Diepgen, the mayor of Berlin, who at first wanted Tegel to be expanded. But resistance grew, since the airport is close to the centre, noise levels are high, and there is little room for expansion, although Tegel has extra runway capacity. Then the Berlin senate, or government, started looking at Schönefeld, east Germany's main airport.

This pleased BBF. It had bought 118ha near the airport for the high price of DM350m (£147m) in the expectation that the site would be chosen. BBF, which is losing DM35m a year on its three airports, is now paying DM30m in annual interest for its speculative entrée into the property market. Berlin politicians have lobbied hard for Schönefeld because it would create more jobs.

But opposition to these plans quickly emerged. Environmentalists from the eastern state of Brandenburg started to resist further expansion on the grounds that the noise levels would be too high and that some local residents would have to be resettled.

Then the government of Brandenburg state, led by Mr Manfred Stolpe, the Social Democrat prime minister, opposed Schönefeld and, with new jobs in mind, suggested two sites far from the city: Jüterbog in the south of Brandenburg and Sperenberg, a former Russian military airport, south of Schönefeld.

In addition, after an inquiry last year, Brandenburg imposed redevelopment restrictions on Schönefeld to try to persuade BBF to chose either Jüterbog or Sperenberg. The battle is now between Schönefeld or Sperenberg. The former would be a less costly development, the latter could exceed DM10bn.

Meanwhile, the federal government has looked on aghast at the political intrigue. "Berlin needs a new airport. All we want is a good decision," said Mr Volker Mattharn, spokesman for the transport ministry.

The decision is due to be made later this year. But the political infighting has irritated investors. "I am fed up of waiting for this decision. I am running out of patience with politicians who have put their own interests first," said one.

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Sweden to retain policy of neutrality

By Hugh Carnegy in Stockholm

Sweden's Social Democratic government yesterday issued a firm restatement of the country's neutrality despite angry insistence by Mr Carl Bildt, the former prime minister, that the end of the cold war and Sweden's recent membership of the European Union demanded change.

"It is our conviction that it is as a militarily non-aligned country that Sweden can best contribute to security in our immediate region and to the building of peace in Europe," Ms Lena Hjelm-Wallen, foreign minister, told parliament.

The debate was marked by sharp exchanges with Mr Bildt, now leader of the opposition conservative Moderate party. Ms Hjelm-Wallen rebuked Mr Bildt for suggesting while in office that Sweden would not remain neutral in the event of a threat to the independence of the three Baltic states which won their freedom from Moscow in 1991.

"We must not give any other state the expectation of a Swedish military intervention in the event of armed conflict," she declared, saying only that Sweden would not remain "indifferent" if the Baltic states were threatened.

Mr Bildt replied by invoking Sweden's controversial neutrality during the second world war when Norway was occupied by Nazi Germany. "If a threat should arise to the Baltic states I say never again 1940, never again to accept in silence the occupation of a neighbouring state."

The former prime minister did not advocate a complete break with Sweden's longstanding neutral stance. But he said the country's priority since it joined the EU in January should be to become "an engaged European". Putting neutrality first "risks castrating ourselves in European peace policy," he said.

Ms Hjelm-Wallen said Sweden's EU membership gave the country the chance to participate in the development of a common foreign and security policy. But she said Stockholm would not seek membership of Nato or the EU's military organisation, the Western European Union. "We participate in [Nato's] Partnership for Peace and will build our relationship with the WEU on an active observership."

The government's line on security policy is similar to the stance adopted by neighbouring Finland since it joined the EU in January. Finland has pursued a neutral policy since the second world war and is wary of upsetting Moscow by altering its position. Neither country is under pressure from its western partners to do so.

The Swedish government also has the broad support for its policy from most parties apart from the Moderates. But yesterday's debate widened an unusually acrimonious split that has opened recently between the government and Mr Bildt over security issues.

Mr Bildt and Mr Ingvar Carlsson, prime minister, exchanged accusations of mudslinging last weekend over public statements each has made over the issue of alleged incursions into Swedish waters by Russian submarines.

Russian advertisers taken aback by bans

John Thornhill reports on unexpected developments in the infant industry

Russia's infant advertising industry has been agitated – and somewhat bewildered – by two recent announcements which could have a big impact on its future development.

First, President Boris Yeltsin's press office announced on Saturday that a forthcoming presidential decree would ban all mass media advertising of tobacco and alcohol products as well as the services of unlicensed medical practitioners. Russian newspaper commentators were particularly touched by the president's concern to protect his fellow citizens from the evils of alcohol.

Then, in a curious sequel two days later, Ostankino, the main state-run television channel, said it would stop showing all advertisements because they annoyed its viewers. A presenter on the evening news programme announced advertisements had recently been the source of "great irritation and disappointment". However, Ostankino's decision, when implemented on April 1, will cut it off from its main source of revenue.

One Russian business newspaper described the presidential decree as a "delayed-action bomb". Miss Nicky Lee, chief executive of the Moscow office of Zenith, the media buying agency, also expresses concern. "The presidential decree is draconian. Ostankino's decision is illogical. But both moves are potentially very worrying."

Russia is hardly the first country to prohibit the advertising of products it considers harmful. Strict regulations are common in many countries. Last month, for example, Poland enacted a new advertising law banning tobacco advertising from all media except print and outdoor posters and specified that such advertisements should carry stronger health warnings. The tobacco industry in Russia has itself introduced a code of practice establishing a measure of self-regulation.

But what is worrying the Russian advertising industry is the suddenness and underlying significance of the restrictionist moves. The presidential decree pre-empted an extended discussion in parliament about new advertising regulations.

"We were more than surprised that the president issued this decree given parliament was still talking about the issue," says Mr Michael Parsons, spokesman for Philip Morris, the US food and tobacco group which owns the Marlboro cigarette brand.


Time to rethink campaigns: a Moscow tram used to advertise American cigarettes Boris Yurchenko

Some observers detect the hidden hand of nationalist-minded presidential advisers who have decried the "westernisation" of the country as imports have seemingly flooded into the country. Western cigarettes and alcohol are certainly among the most visible imports.

Mr Andrei Fedotov, managing director of Russian Public Relations Group, which researches the media market, says: "From my point of view the presidential decree is just another example of the populism of the Russian authorities."

The critical consideration for the industry will be whether these decisions will be implemented effectively. The presidential decree is unclear on many points: it does not define what constitutes the mass media, nor does it specify whether all tobacco and alcohol brand advertisements will be banned or just those that show the products being consumed.

Ostankino, which is in the process of being commercialised, may yet recoil from implementing its decision once its future shareholders appreciate the financial consequences of the move.

Mr Alexei Gusev, a director of Video International, which is one of the biggest Russian advertising agencies, doubts the decree will have an immediate impact. "Last year there were four presidential decrees about advertising but nobody has stopped working as a result. There is a Russian saying that you should only worry about a presidential decree for three days," he says.

But media organisations could be badly hit if the restrictions are enforced. Mr Fedotov estimates that tobacco advertising spending on television amounted to about $14m (£9m) last year, representing 3 per cent of the total. The Russian State Broadcasting Company, RTR, estimated it may lose as much as 25 per cent of its advertising revenue.

The Russian government may also suffer a fiscal hangover from the move if tobacco and alcohol consumption are indeed reduced.

This year's budget envisages that the government will receive Rbs6,600bn (£962.3m) from alcohol taxes representing about 2.3 per cent of budget revenue. The government also receives tax revenue from the profits made by alcohol and tobacco companies. Such income is more than the official costs of the Chechen war.

EU states harmonise on data protection

By Emma Tucker in Brussels

European Union industry ministers have formally adopted data protection rules they claim are essential for the development of cross-border trade in distance selling, financial and other services.

The rules – adopted early this week – aim to narrow the differences between national data protection regimes so that people will be afforded the same right to privacy wherever the processing of information is carried out.

At present, the cross-border provision of financial products such as mortgages and life assurance policies is limited because of the differing data protection rules. As a result, member states stop short of exchanging essential information such as credit ratings and credit worthiness because one is not satisfied that sufficient protection exists in another.

"If each member state had its own set of rules on data protection, for example on how data subjects could verify the information held on them, cross-border provision of services, notably over the information superhighways, would be virtually impossible and this extremely valuable market opportunity would be lost," said the European Commission.

The differing regimes have posed a particular problem for multinationals wanting to transfer data about employees between operations in different member states, according to the commission.

Agreement on the harmonised rules – which took more than four years to negotiate – must still be approved by the European parliament. It overrode strong objections from Britain, which believes legislation is unnecessary and will impose heavy costs on the private sector. However, the UK, which has minimal data protection laws, was outvoted by the rest of the Union.

The directive lays down common rules for those who collect, hold or transmit personal data for business or administrative purposes. It requires that they collect information only for "specified, explicit and legitimate purposes" and hold it only if it is relevant, accurate and up to date.

The directive allows individuals to refusing to provide information and entitles them to be informed of the identity of an organisation intending to process data about them, and for what it will be used.

Monti to push single market benefits

By Emma Tucker

Mr Mario Monti, the new European Commissioner responsible for the single market, plans a push to demonstrate the benefits of the single market to Europe's citizens, and has promised tough action on member states that break the rules.

Two years after Europe swept away internal borders to create a barrier-free internal market Mr Monti, former rector of the University of Bocconi in Milan, says much needs to be done.

"We need the support of public opinion," he said. "Citizens don't realise that many of the advantages they are experiencing are traceable back to the fact that there is a single market."

The impact of the single market has been most marked on tradeable goods, with long-distance carriers no longer having to queue at borders to show their papers. For European citizens, who still have to show their passports at borders and who do not benefit from a single market in services such as insurance, the advantages have not been so obvious.

Mr Monti was speaking as new Commission figures showed Greece and Germany to have the worst record in implementing measures crucial to the functioning of the internal market.

Of a total 219 legislative measures adopted at Union level by the Council of Ministers, Greece has implemented 169, while Germany – second from bottom – can point to only 184. Denmark continues to have the best record, with 209 measures taken on to its statute books, followed closely by Luxembourg, France and the Netherlands. The UK stands in fifth place.

Least progress has been made in public procurement, intellectual and industrial property, new technologies and services, insurance and pharmaceuticals.

Public procurement is particularly bad, with many member states avoiding a requirement to put government contracts up for EU-wide tender. Germany's record in this sector is so poor that the Commission has started infringement proceedings against it.

Mr Monti reaffirmed the Commission's decision to bring forward legislation to end border checks on people travelling within the Union, but said proper attention should be paid to "accompanying measures" which seek to tighten the effectiveness of external controls.

NEWS: WORLD TRADE

Neighbours' tiff becomes first WTO case

The usual quiet diplomacy has failed in a Singapore-Malaysia petrochemicals dispute, **Kieran Cooke** and **Gordon Cramb** report

Malaysia and Singapore, fellow members of the Association of South East Asian Nations, pride themselves on their quiet diplomacy. Disputes are negotiated behind closed doors, often through direct contacts between the countries' leaders.

But these days things are a little different. A neighbours' tiff involving Singaporean exports of petrochemical products to Malaysia has the distinction of being the first trade dispute to be referred to the World Trade Organisation, the successor body to the General Agreement on Tariffs and Trade. Singapore says it took the action when other lines of communication with Malaysia failed. In Malaysia there is some displeasure that Singapore has chosen to given a public airing to bilateral differences.

The dispute centres on new import procedures on plastic resins – polyethylene and polypropylene – introduced by Malaysia last April. The Malaysian authorities said that in the first instance local plastics makers must buy raw materials from local producers, and those who wished to import must obtain special permits.

Singapore says the new procedures mean its exports of resins to Malaysia dropped by more than 40 per cent between April and November last year – from 118,079 tonnes to 65,694 tonnes. Singapore trade officials say the issue is a matter of "serious urgency".

Singapore, the world's third largest oil refining centre, is investing heavily in building up its petrochemical industry. Last year a group of local and international companies committed S$3.4bn (US$2.3bn) to construct a second petrochemical complex on the island republic.

Malaysia is seen as an important market for Singapore petrochemical products. "If they had taken proper measures such as tariffs, which were transparent and fair, there would be no grounds for complaint," says Mr Yeo Cheow Tong, Singapore's minister for trade and industry. "Instead they have chosen to apply a non-tariff measure."

Malaysia, which is also building up its refining and petrochemical industry, has a different point of view. Mrs Rafidah Aziz, minister of trade, says the new procedures, which will remain in force for two years, are justifiable and in accordance with Gatt/WTO provisions which allow developing countries to protect their fledgling industries.

Malaysian trade officials say the procedures were not specifically aimed at Singapore: they have produced figures indicating that Malaysia's total imports of plastic resins increased last year. Some Kuala Lumpur industrialists say the Singaporeans are making too much fuss. "They want to have it all their own way," says a Malaysian trader. "For years we have been buying refined and other products from them. Now that we are building up our own industry they are crying foul."

Officials from both countries held an initial meeting in Geneva under WTO auspices last week. Under WTO rules consultations can continue for 60 days, and then, if the problem is not resolved bilaterally, the complainant can ask for a disputes panel to hear the case. If the panel finds a member state is harming another's interests by violating trade rules the WTO can ultimately authorise the affected country to take retaliatory action.

Singapore says two local companies have been hit by the Malaysian action: Phillips Petroleum Singapore Chemicals, a unit of the US Phillips Petroleum group in which the Singapore government has a 30 per cent stake, and The Polyolefin company, a joint venture between a Japanese consortium led by Sumitomo Seika Chemicals and the Royal Dutch/Shell group.

Reports in Malaysia say Kuala Lumpur took its action after lobbying by the Taiwanese-owned Titan group. Titan has several plastics-associated plants in Malaysia; it is one of the biggest foreign investors in the country's industrial sector, and Malaysia's leading polyolefins producer.


Goh Chok Tong: WTO is "civilised way"


Rafidah Aziz: protection for fledgling industries

Mr Goh Chok Tong, Singapore's prime minister, describes the disagreement as a technical affair. Going to the WTO, says Mr Goh, is "a civilised way of resolving disputes". But other factors are causing difficulties between the two countries: Singapore steel makers have accused Malaysian counterparts of selling below market prices.

Malaysia says Singapore is not doing enough to stop ships, including those registered in the island republic, dumping wastes and causing pollution in Malaysian waters. Other issues concerning sovereignty and land ownership arising from the break-up of the Malayan federation 30 years ago have yet to be settled.

Senior officials of both countries say individual trade disputes should not be allowed to affect bilateral relations. But for now, quiet diplomacy seems to have failed.

Ministers split in Jakarta

By Manuela Saragosa in Jakarta

Mr Mar'ie Muhammad, Indonesia's minister of finance, has indicated he is not prepared to grant export credits to the country's showcase high-technology industries, in a move which reflects growing tension within the government.

Mr B J Habibie, the controversial research and technology minister, complained this week that the absence of export credits was harming the international competitiveness of many of the companies within his brief, including aircraft maker IPTN and shipbuilder PAL.

At a parliamentary hearing yesterday, Mr Muhammad said the government did not have the funds to provide export credits. "It is almost impossible for us to provide such a payment scheme," he was quoted as saying in the local press. "It might be possible in the future but it is impossible right now."

Although Indonesia's parliament occasionally plays an important role as a venue for genuine political and economic debate, a final decision on granting export credits is likely to lie with President Suharto. The president is reported to have told Mr Habibie to work with the finance ministry to conduct a study on the costs of implementing an export credit scheme.

The government has spent millions of dollars over the past decade in an effort to develop high-tech industries, many of which are overseen by Mr Habibie under the umbrella Agency for the Management of Strategic Industries. This policy has been criticised by the World Bank, which has said the money would be better spent in other sectors of the economy.

Mr Habibie, an enthusiastic technologist, and Mr Muhammad, a technocrat, have often clashed before. But public airing of the divide between the two ministers has been muted following the closure last June of three Indonesian publications which reported in detail on cabinet splits.

They revealed tensions between the ministers after Mr Muhammad's decision to slash by two-thirds the $1.1bn made available in state funds for Mr Habibie's acquisition of 39 East German warships.

Mr Habibie is trying to find buyers for IPTN's N-250 70-seat commuter turbo-prop aircraft, which are priced at $13.5m each. Commercial production of the aircraft, which has been 10 years in the making, is scheduled to start by the end of next year.

Reassurance on E Europe

By Stephanie Flanders

The European Union has little to fear from expanded trade with eastern Europe, according to a report published yesterday in London.

Fears that eastern imports would hurt EU producers have dogged negotiations fully to liberalise EU trade with eastern Europe ahead of the possible enlargement of the EU eastwards.

In a foreword to the report, which was commissioned by one of the EU's economic development programmes, EU commissioners Leon Brittan and Henning Christophersen say: "Too often the benefits of eastern enlargement are depicted largely in political and security terms, while economically, it is seen as a burden more than an opportunity. This volume emphatically refutes this view."

Mr Richard Portes, director of the Centre for Economic Policy Research, which published the report, says that for all the benefits to EU consumers, trade liberalisation will entail some disruption to EU economies. Nevertheless, he believes the report's findings ought to reassure those in areas considered vulnerable to competition from the east.

Sensitive sectors such as steel and textiles have so far been excluded from EU trade agreements with the Czech and Slovak Republics, Hungary, Poland, and Romania. Yet studies of the textile and steel industries find that competition from eastern Europe will not have the devastating effect many predict.

Southern European countries, such as Portugal and Greece, have been especially wary of competition from the former Soviet countries.

● The European Union yesterday threatened to retaliate if Canada slapped trade sanctions on EU goods, raising the spectre of a trade war involving anything from halibut to Italian women's shoes, AP reports.

Canada has proposed raising tariff limits on European vodka, high-value women's shoes, lead crystal glassware, and perfumes and toilet waters from March 27.

The two sides were already fighting over the rights to catch halibut in the north Atlantic when Canada soured relations by threatening higher tariffs on EU consumer goods unless it was compensated for the expansion of the EU to 15 nations in January.

******European Union Trade with Eastern Europe: Adjustment and Opportunities, edited by Riccardo Faini and Richard Portes, CEPR, £16.95/$24.95*

WORLD TRADE NEWS DIGEST

China-US talks 'making progress'

China yesterday reported progress in its talks with the US over intellectual property rights violations, the most positive statement by Beijing since negotiations resumed last week aimed at averting a trade war. The official Xinhua news agency said the two sides were endeavouring to "reach an agreement as early as possible through more positive efforts", and "satisfactory progress" had been made.

Washington has threatened to impose sanctions on $1.08bn of Chinese imports if there is no agreement by February 26 on measures to stamp out widespread pirating of American information and entertainment products.

China has been objecting to US attempts to link enforcement of laws against counterfeiting with improved market access for American products. This is the ninth round of talks in attempts to settle the intellectual property rights dispute. American industry says piracy is costing it $1bn a year in lost revenue. Pirated items include compact and laser discs, video-games, films, books, magazines and computer software. *Tony Walker, Beijing*

Disputes hit power plant plan

Plans by Hong Kong-based entrepreneur Gordon Wu to build a $5.5bn power plant in Pakistan have been held up by disputes over location and the use of imported coal, Pakistani officials said. Talks will resume next month between the Pakistani authorities and Mr Wu's Consolidated Electric Power Asia (Cepa) to try to settle differences.

Last October Mr Wu signed a memorandum of understanding with Pakistan on behalf of Cepa to build a 5,280MW coal-fired power station, and to develop the southern Thar coal fields, Pakistan's biggest, with reserves exceeding 175bn tonnes.

Cepa originally planned to build the power station on the southern Sindh coast, 60km west of Karachi, with eight 660MW units. The first unit was due to come on stream by December 1997.

The power plant was estimated to require 30m-35m tonnes of coal a year, to come initially from imports but gradually replaced by domestic coal.

But the Sindh provincial government objected to Cepa's chosen site, about 600km from the Thar coal fields, and the use of coal imports until Thar becomes commercially viable. According to Pakistani officials, Cepa wanted Pakistan to relax its demand for the use of local coal and had refused to move the power plant site from the one it had chosen.

The state-run Sindh Coal Authority said Pakistan had proposed six alternate sites close to Thar and other coal fields to ensure that the proposed power station use local coal. *Karachi, Reuter*

Bumble Bee name sold to US

The Thai company Unicord is to sell the brand name of one of the world's largest tuna canners, Bumble Bee, to American interests led by Chemical Bank and US-based fish canners for $155m. Unicord bought Bumble Bee for what industry observers said was a high $285m in 1989.

The Bangkok-based company will retain Bumble Bee's three canning factories in California, Ecuador and Puerto Rico, which will continue to supply Bumble Bee brand tuna.

Bumble Bee – which has a 25 per cent share of the US canned tuna market – was badly hurt in aggressive price competition with US rivals Star-Kist and Chicken of the Sea, at a time when tuna prices were climbing: the price of skipjack nearly doubled from $600 a tonne in 1993 to $1,100 in August 1994, and currently stands at about $900 a tonne. *William Barnes, Bangkok*

INTERNATIONAL NEWS DIGEST

PLO pleads for pressure to save peace process

The Palestine Liberation Organisation, warning that its 1993 agreement with Israel on gradual Palestinian self-rule was on the verge of collapse, called yesterday for an emergency Arab summit and international pressure on Israel to salvage the peace process. The appeal followed a meeting of the PLO executive in Cairo, called by Mr Yassir Arafat, PLO chairman, in part to show Palestinian support for the accord was crumbling. Only nine of the PLO's 18 executive members attended the meeting, boycotted by prominent Arafat supporters.

The PLO warned: "The peace process is trapped in a vicious circle and is beginning to lose its credibility, and capacity to continue." It called for "an Arab meeting of the highest level" and is starting a diplomatic offensive, sending envoys to the US, the European Union, Russia, China and Japan, to argue that Israel is failing to honour the 1993 peace accord.

PLO and Israeli negotiators, meeting separately in Cairo yesterday, failed to agree on Palestinian elections in the occupied West Bank, which under the 1993 agreement should have been held eight months ago to extend the area of Palestinian autonomous government beyond Gaza and Jericho. Chief PLO negotiator Saeb Erekat said no progress could be made until Israel pulled back its troops from the West Bank.

Israel says it cannot withdraw its troops until Mr Arafat's Palestinian Authority demonstrates greater control over Islamic extremists fighting the limited self-rule agreement, whose suicide bomb attacks inside Israel have brought the peace process to a virtual standstill and badly damaged prime minister Yitzhak Rabin's standing with Israeli voters. *Shahira Idriss, Cairo, and David Gardner, London*

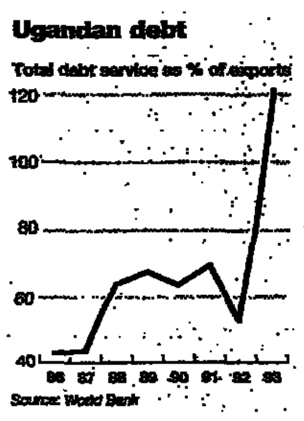
Algiers militants in jail revolt

Security forces crushed a prison revolt by Islamic militants in Algiers yesterday, after four guards were taken hostage and had their throats slit, authorities said.

Officials said inmates armed with homemade knives and other weapons took seven guards hostage on Tuesday, then began organising an escape of up to 1,000 jailed Islamic militants and regular prisoners. Four of the guards were murdered, and more than a dozen other prison employees and security forces members were injured during the rebellion, Justice Minister Mohamed Teguia said on state radio.

Security officials later said at least 95 inmates were killed by the security forces, including two jailed leaders of the Armed Islamic Group, the most hardline of the guerrilla organizations fighting to topple the government. Also killed, the officials said, was Lembarek Boumaarafi, convicted of the 1992 assassination of President Mohamed Boudiaf. *AP, Tunis*

Uganda debt write-off offer



Uganda's western creditor governments have offered to write off 67 per cent of the stock of its official bilateral debt, the British treasury announced yesterday.

It is the first country to benefit from enhanced debt reduction terms agreed by the Group of Seven leading industrialised countries at their annual economic summit meeting in Naples last year and is seen as a reward for good governance.

Uganda has made a remarkable recovery since President Yoweri Museveni introduced an reform programme supported by the World Bank and the International Monetary Fund. Economic growth has averaged 5.6 per cent a year since then, inflation has dropped from more than 300 per cent in the chaos of the early 1980s to single figures. Some $235m of Uganda's external debt is now eligible for debt reduction by the Paris club of official creditors, although this does not itself resolve Uganda's debt difficulties. The main outlay arises out of servicing its debt to multilateral lenders.

Reuters reported from Kampala yesterday that Uganda recorded a gross domestic product (GDP) growth of 8 per cent in 1994 and forecast levels would be kept or improved on in 1995. *Peter Norman and Michael Holman, London*

Nigeria foreign exchange move

The Central Bank of Nigeria (CBN) yesterday eased uncertainty over the new foreign exchange system by offering $200m to importers via approved banks, at a market determined rate of N82 to the US dollar. The move follows last year's failed attempt to regulate the supply and fix the rate at N22 to the dollar. Its success depends on attracting the oil companies' export receipts back to Nigeria.

Under guidelines published last month, the CBN is to buy foreign exchange from the oil companies at market rates. But the oil producers have only been offered as little as N50per dollar, with a promise to make up the balance after sale to the banks. Most rejected the offer.

Meanwhile a shake-up in the banking sector seemed imminent, following the bank's decision to approve only 68 banks for foreign exchange transactions. There are a total of 120 licensed banks. The decision is seen as bearing out the commonly held view that at least half the banks in Nigeria are trading while insolvent. *Paul Adams, Lagos*

Crisis meeting for ANC

Leaders of the African National Congress will hold an emergency caucus today to decide on a response to the latest crisis within the South African government of national unity.

Chief Mangosuthu Buthelezi *(left)*, minister of home affairs and leader of the Zulu-based Inkatha Freedom party, announced a two-week boycott of parliament on Tuesday in protest at the alleged failure of President Nelson Mandela, and Mr F W de Klerk, leader of the National party, to honour an agreement reached just before last year's general election. Police in KwaZulu Natal were put on alert to forestall possible clashes between IFP supporters and those of the ANC.

Chief Buthelezi held brief talks with Mr Mandela and Mr de Klerk before yesterday's cabinet meeting, but a spokesman said the dispute did not feature on the official agenda.

The row concerns an agreement among the three men that international mediation should be used to resolve differences over the role of the Zulu king in the new constitution being drafted. Mr Buthelezi is anxious to ensure that a federal structure emerges from the constitutional assembly, although how international mediation would be incorporated into the existing process is unclear. *Roger Matthews, Cape Town*

Dubai to set up audit body

Dubai is setting up a body with wide-ranging powers to audit the finances of government departments and state-controlled companies, the United Arab Emirates' official WAM news agency said yesterday. It said Sheikh Maktoum bin Rashid al-Maktoum, the UAE prime minister, issued a decree setting up the new body in his capacity as ruler of Dubai – one of seven emirates and a booming regional trade centre. *Reuter, Dubai*

Baghdad sidles up to the world

Campaign under way for lifting of sanctions, including oil embargo

BY Robert Corzine and Jimmy Burns in London and Andrew Jack in Paris

The steady stream of British, French and other western businessmen passing through Baghdad this week marked the start of a concerted effort by Iraq to persuade the UN that mandatory sanctions, including the oil export embargo, should be lifted.

Western diplomats, who describe the Iraqi effort as "an across-the-board" diplomatic initiative, believe that in the next few months there will be one of the most "critical" challenges to the UN sanctions regime since the end of the Gulf war four years ago.

Yesterday a British business delegation left Baghdad after a five-day visit which the Iraqi news agency described as "very successful".

Executives from some 40 French companies were in the Iraqi capital this week to discuss trade prospects. The high profile visit was organised by the Patronat, the French national employers' federation.

French oil companies have been particularly interested, but a number of banks, car companies, construction companies and utilities groups have also made no secret of their interest in re-establishing trade with the Gulf state.

Early next month senior executives or representatives of a number of international oil companies, possibly including US ones, go to Baghdad to hear details of Iraq's post-sanctions petroleum policy.

The prospect of Iraq, with the world's second-largest oil reserves, opening its petroleum sector to direct foreign investment has clearly excited many western executives, in spite of the likelihood that the return of Iraqi oil exports will disrupt oil markets and push down short-term prices.

Elf Aquitaine and Total, the two big French companies, have already held detailed discussions with the Iraqis.

Iraq's pre-war oil export capacity was 3m-3.5m barrels a day. Oil industry executives believe Baghdad will need to rely on foreign capital to expand capacity to 4m-5m b/d by 2000.

The surge of commercial contacts with Iraq coincides with political strains within the coalition members that liberated Kuwait four years ago.

It also comes just weeks before the UN security council is to receive a key report on whether Iraq is complying with UN resolutions calling for the destruction of its capacity to manufacture weapons of mass destruction, a prerequisite to lifting or relaxing sanctions.

Next month Mr Rolf Ekeus, the UN special envoy, will make his regular, 60-day sanctions report to the council. It is unlikely to be contentious, say diplomats. It may, however, offer a preview of the positions likely to be adopted by key council members.

Another report by Mr Ekeus, due in April, on Iraqi progress in destroying weapons of mass destruction could be the trigger for diplomatic divisions between the permanent members of the security council, with the US and France likely to be at loggerheads.

France broke ranks with its allies last month by hosting a meeting between Mr Alain Juppé, foreign minister, and Mr Tariq Aziz, Iraq's deputy prime minister.

In spite of criticism from some of its western allies, Mr Juppé announced that France would swiftly be establishing a diplomatic "interests section" in Baghdad in the Romanian embassy.

He said repeatedly that France backs existing UN sanctions against Iraq and that it must take further steps to obey the conditions required before the trade embargo is lifted.

In addition cracks in the sanctions are already appearing. Illegal Iraqi oil exports are said to be running at 80,000-100,000 barrels a day, moved mostly by truck to Turkey or in small tankers which hug the Gulf coast seeking to avoid Allied naval patrols.

The British government has made no attempt to block the visit to Iraq of British companies, but with Sir Richard Scott's arms-for-Iraq inquiry still on-going, no UK official is in a rush to talk of rapprochement with Baghdad.

The US view, likely to be supported by the UK, is that Iraq remains a threat to its neighbours, and is therefore still far from complying with the spirit, as well as the letter of the UN resolutions.

The differences between the US and France are sharpest over the interpretation of Resolution 687, which covered the conditions of the ceasefire.

The French say paragraph 22 allows the UN to lift the oil embargo once Mr Ekeus says that Iraq is complying with resolutions on weapons of mass destruction.

The US says that the security council must also be assured of Iraq's peaceful intentions, and that Baghdad must embrace all other resolutions, including 688, which requires Baghdad to respect human rights.

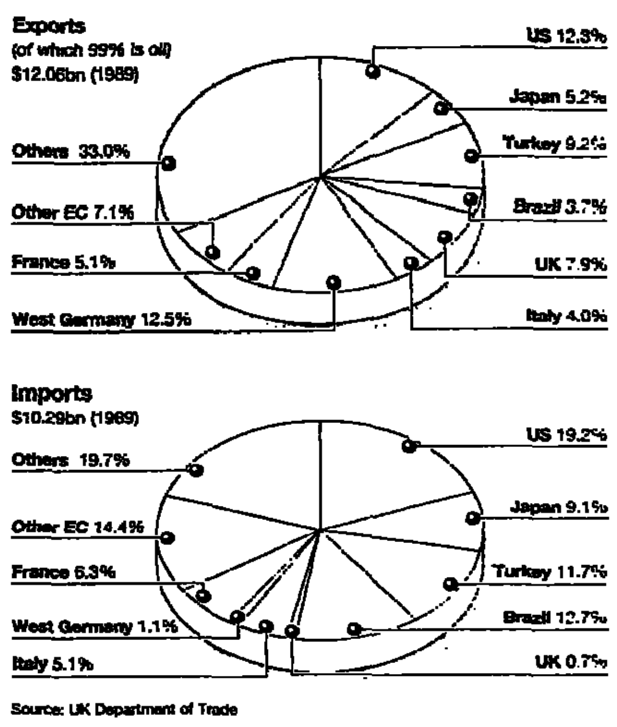
If the Ekeus report in April is positive, a resolution to lift the embargo could be tabled almost immediately, although supporters may wait until May, when France takes over as security council chairman.

Some diplomats worry that the Ekeus report may not be clear cut.

There are fears it could confirm Iraqi co-operation in a number of areas, but express continuing concerns over certain programmes, such as biological weapons.

In that case there may be an attempt to suspend the oil embargo as encouragement to Iraq to comply more fully. That will be opposed by the US, although it could appeal to many security council members.

Iraq: trade by country before the war



Source: UK Department of Trade

US capital is bankrupt, says GAO

By Nancy Dunne
In Washington

Washington DC, the US capital, is broke and unable to pay its bills, the General Accounting Office, the investigative arm of the Congress, said yesterday in a report to Congress.

The report said the city had a \$335m (£216.1m) budget deficit in fiscal year 1994 and that expenditures in this fiscal year could be \$3.9bn, \$631m above a budget cap imposed by Congress.

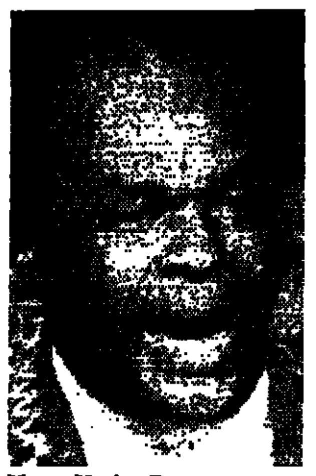
"The District's cash position is especially precarious," said Mr John Hill, a GAO official. "Given the continued spending levels above budgeted amounts it is now clear that the District will run out of cash this summer. In fact, today the District is insolvent."

In an impassioned plea for help from Congress, Mr Marion Barry, the city's mayor, yesterday promised two House subcommittees that the city would cut 1,000 employees from its payroll, slash wages and reduce agency budgets by more than \$224m for the remaining seven months of the year. But the GAO said Washington's information systems were so poor that it was impossible to determine the exact number of city workers.

After years of turning to a Democratically-controlled Congress for federal assistance, city officials yesterday faced a Republican majority. However, the new Congress has not been unsympathetic. Mr Newt Gingrich, the House speaker, has been meeting District officials and promising help.

Congressman Thomas Davis, chairman of the District subcommittee, said the city was being mismanaged, but "we must be careful that the needs of the weak and powerless are met."

The mayor proposed other cuts. Hospital staff, including doctors, will be drastically reduced and restructured and five public health clinics will be closed. Healthcare will be



Mayor Marion Barry

cut for 19 and 20-year-old women and those in the first six months of pregnancy.

Limits are being imposed on emergency assistance payments and burial assistance. Day care fees will be raised, fire fighting budgets will be cut and manual street cleaning will be eliminated.

In return for these sacrifices, the mayor asked Congress to guarantee the city's borrowings, which could save millions in debt services. He also asked for Congress to assume payment for \$267m in expenses for Medicaid, the health programme for the poor, and \$141m for healthcare costs for the next two fiscal years.

Mr Barry, served 12 years as mayor until going to prison on drug charges four years ago, winning re-election after his release. He took some blame for the budget crisis, saying that when the economic fortunes of US cities turned "sour" in the late 1980s "my administration was too slow to react.".

Mostly he blamed Congress for having given Washington self-rule while limiting the tax base. "Less than half of our budget goes to typically municipal functions with the rest going to pay for functions normally performed by county, state or federal governments," he said.

Argentine relief at T-bill auction

By David Pilling
In Buenos Aires

Argentina has raised \$230m (£148.3m) in an auction of 90-day dollar-denominated treasury bills, but was forced to pay a coupon of 11.6 per cent, 120 basis points more than in last week's auction.

The government will be relieved that the auction, which closed on Tuesday evening, was fully subscribed, after market talk of a possible postponement. It will be disappointed at the high coupon, over 4 percentage points above the pre-Mexican-crisis rate.

Perceived financing difficulties had led to speculation, confirmed by some government officials, that Argentina may be negotiating a loan with the International Monetary Fund. Mr Domingo Cavallo, the economy minister, has sought to play down the IMF's influence on recent economic policies, saying Argentina has grown faster and with lower inflation than it would have done had it "slavishly followed the Fund's recipes".

There was virtually no interest in peso-denominated treasury bills. The finance team had forewarned it would not offer a higher rate for peso loans as this would imply a currency risk. Devaluation of the peso, which is pegged at parity with the dollar, has been ruled out.

Mr Joaquin Cottani, financing subsecretary, said the auction "reflected market conditions; a big fall in public and private paper and growing illiquidity in the system."

He said it did not necessarily imply an upward trend and that, following the resolution of the Mexican rescue package, next week's placement could well see lower coupons. The \$230m placement is part of a drive to raise \$1.7bn in the first quarter, to pay \$1.5bn worth of maturing debt.

As part of Mr Cavallo's revenue drive to meet his 1995 target of a \$2.7bn budget surplus, the treasury has announced a further crackdown on tax evasion.

Mexican package gets short shrift

High interest rates fail to prop up peso, report **Stephen Fidler and Leslie Crawford**

The Mexican government has sharply increased interest rates this week and finalised a \$20bn financing with the US, but the two developments have done little to remove anxiety from the country's financial markets.

"The \$20bn aid package solved yesterday's problems," one foreign broker said. He said the financing, part of a \$50bn international financing effort announced three weeks ago by President Bill Clinton, dealt with the government's short-term external debt obligations. But it did little to address the uncertainty still implicit in the country's floating exchange rate regime or the risk of corporate failures.

Further apparent pressure was placed on companies yesterday with another sharp increase in benchmark interest rates. But the higher rates were not enough to help the peso, which continued to weaken against the dollar on foreign exchanges.

An auction of 28-day bills or *Cetes* – the instrument regarded as the current benchmark in Mexican money markets – produced interest rates of 59 per cent, the highest nominal interest rate in almost seven years. This was 19 percentage points higher than in the auction a week earlier.

The central bank ordered a big rise interest rates this week in an attempt to build foreign exchange reserves.

However, some analysts are asking whether the weakness

WANTED: Mexican protesters accuse former President Salinas of mishandling economy Reuter

of the peso – which has continued after the details of the \$20bn US aid package were announced on Tuesday – is evidence that even these interest rates are insufficiently high to tempt back foreign capital.

"If you assume that inflation in February was 4 per cent, interest rates of over 50 per cent are not so high in real terms," said one Mexican economist.

Mr David Lubin of HSBC Markets in London says the investment arithmetic in January showed that 28-day *Cetes* purchased on January 4 would have yielded 2.4 per cent – but that would have been more than swallowed up by inflation of 3.8 per cent. Four per cent monthly inflation is 60 per cent annualised, he points out.

Yesterday's *Cetes* auction underlined that short-term rates remain significantly higher than longer-term rates, suggesting the market still believes inflation will fall later in the year.

Many economists' forecasts now suggest 1995 inflation could be over 30 per cent. With six-month and one-year *Cetes* yielding just under 50 per cent, real rates for six-month and one-year maturities were well above 10 per cent.

However, for these longer maturities, investors are demanding extra compensation for the political uncertainty in Mexico this year and the perception that the government is not in control of events, say analysts.

Companies must additionally pay lending spreads which are widening substantially to compensate for the economic uncertainty. This constitutes a significant burden for enterprises and helps explains the stock market's weakness, they say. Furthermore, there is growing evidence that Mexican banks' overdue loans have grown rapidly since devaluation.

Some analysts believe the government is moving closer to a Chilean-style crawling-peg regime.

Mr Guillermo Ortiz, Mexico's finance minister, said yesterday he would soon announce a revision of government economic targets for 1995.

"It is evident that what has happened since January has signified a deterioration of the economy and inflationary expectations," Mr Ortiz said in a radio interview. Neither an inflation target of 19 per cent, nor growth of 1.5 per cent of gross domestic product, nor an exchange rate of 4.5 pesos to the dollar were likely to be met, he said.

The stock market fell in the morning to its lowest levels since mid-1993, but rallied somewhat to be 0.6 per cent lower at midsession. The peso fell to 5.76 to the dollar, compared with 5.605 at Tuesday's close. Some of the peso weakness may be explained by the lack of a new auction this week of *tesobonos* – dollar-denominated Mexican government securities payable in pesos – and the likelihood that foreign holders of maturing paper will be switching into dollars, analysts said.

Fed sees growth slowing to 2-3% in 1995

By George Graham in Washington

Top Federal Reserve officials expect the US economy to "settle into a pattern of more moderate expansion in 1995," according to the Fed's twice-yearly report to Congress on monetary and economic policy.

The members of the Fed's central board of governors and the presidents of its 12 regional reserve banks expect the growth of gross domestic product to drop from last year's 4 per cent rate into a range between 2 and 3 per cent.

Only a modest acceleration in inflation is expected, with the consumer price index projected to rise by 3 to 3½ per cent, compared with a rise of 2.7 per cent in 1994.

The ranges forecast by the Fed governors and presidents encompass the economic projections of the Clinton administration, which anticipates growth of 2.4 per cent and inflation of 3.2 per cent this year.

The Fed report says that its seven interest rate increases over the last year will probably start to show their effects more strongly in 1995. Residential building, particularly of single family homes, is likely to slow down first, but other sectors which are sensitive to interest rates will also probably start to react to higher rates.

The pent-up demand for consumer durable goods that accumulated during the sluggish years of the early 1990s has probably been exhausted, so consumer spending should tail off, while business investment is also expected to shift to more moderate rates of growth.

The Fed report suggests that inventory accumulation, which added almost 1 percentage point to GDP growth in 1994, is also likely to moderate.

But in remarks accompanying the presentation of the report to Congress, Mr Alan Greenspan, the Fed chairman, said it remained to be seen whether last year's sharp build-up in stocks would turn into a negative for growth this year. "Incoming information does not suggest that a substantial inventory correction is imminent," Mr Greenspan said, noting that inventory to sales ratios were at historically low levels.

Moreover, he said, a swing in inventory investment would have a more muted effect on domestic production than it might have a few years ago, because roughly a quarter of the nominal value of all wholesale and retail stocks is now imported.

Mr Greenspan acknowledged that most economic analysts had increased their estimates of long term productivity growth in the US, thus raising the economy's potential to expand without hitting the kind of capacity constraints that might spark inflation.

The rapid rise in labour and factory utilisation rates in the past year "does argue that the rate of increase in potential is appreciably below the 4 per cent growth rate of 1994."

Brazil set for curbs after 5.7% growth

By Angus Foster in São Paulo

Brazil's economy grew 5.7 per cent last year, faster than expected and its best performance since 1986, according to figures published yesterday by the government's IBGE statistics agency.

But the growth, which accelerated towards the end of the year, will add to fears that parts of the economy are overheating. With some industries reporting record production in January, the government is preparing measures to curb consumer spending.

IBGE said economic growth was widely spread, with industry growing 7 per cent and agriculture 7.5 per cent. Growth was greatly helped by the July launch of the Real currency, which brought down inflation and led to a real increase in consumer spending power. Growth in the second half of the year was up 7.6 per cent compared to the same period in 1993.

The government is expected shortly to announce measures to damp down demand, mainly by restricting credit on consumer items. A package of restrictions last year only partly succeeded in reducing consumer spending and companies found ways to avoid the rules. IBGE said the measures were "insufficient" and year-end demand remained "extremely high".

Wages have risen in real terms since the currency's launch and are adding to demand for consumer goods. Household goods group Multibras says its factories are at 85 per cent capacity, compared to 60 per cent a year ago, and some smaller companies are working at close to full capacity.

There have been some reports of shortages, in canned soft drinks for example, but supply problems do not appear serious. Any overheating has not yet fed through into consumer prices, although economists warn that inflationary pressures are low in January and February for seasonal reasons. Inflation according to the government's main IPC-r index was 0.99 per cent for February, the first time the index has fallen below 1 per cent since the Real's launch.

El Salvador outlines bold economic reforms

President Calderon's proposals to rejuvenate the economy face a rocky ride, writes **Edward Orlebar**

The Salvadorean government is promoting sweeping economic reforms to accelerate the country's integration into the world economy and to attract foreign investment.

The programme was outlined by President Armando Calderon Sol, in a televised address earlier this month. But the plan, which must be approved by congress, has run into strong opposition from trade unions and been questioned by some business leaders.

The plan entails introducing a currency board, combining some ministries and modernising the state sector by privatising certain state runservices including telecommunications, electricity generation and distribution, and ports.

The day after the announcement 10,000 Salvadorean trade unionists marched in protest, giving the government a taste of possible future confrontation.

Mr Calderon's proposal was somewhat less radical than the government had originally intended. This reflects a compromise with the private sector which had protested that the original measures went too far too fast.

"Our vision as a nation is to transform El Salvador into a land of opportunity, with equity," said Mr Calderon Sol. "We want to make the country attractive for local and foreign investment, and incorporate ourselves into the world production chain."

The government says it will use revenue from thesale of state companiesfor social investment to alleviate conditions for ordinary Salvadoreans, the majority of whom live in poverty, and to increase health and education spending.

The intention is to cut maximum import tariffs immediately from 20 per cent to 15 per cent and reduce the minimum tariffs, levied on raw materials, from 5 per cent to 1 per cent. Tariffs would then be reduced over about three years to a 6 per cent ceiling.

The government had previously intended to offset lost revenue through increasing the sales tax from 10 per cent to 12 per cent, but backed down after widespread criticism. Officials now say the difference will have to be made up through improved tax collection.

Private sector leaders have complained that tariff cuts will leave industry and agriculture at the mercy of foreign competitors which are not shackled by high interest rates and poor infrastructure.

It could also prove a crippling blow to the large numbers of people who work in small industry in the so-called informal sector, a substantial portion of the workforce.

"These people are the ones who will be most hurt, they will be unable to adapt," says Mr Luis Cardenal, a prominent industrialist and political analyst.

The country's reform plan aims to cut maximum import tariffs to 15 per cent

Central bank officials say they intend to adopt a currency board system – which marries monetary emissions to the levels of foreign exchange reserves – and fix the exchange rate at 8.75 colones to the dollar in order to remove currency risks for investors.

Mr Gino Bettaglio, vice-president of the central bank says El Salvador has a sufficiently stable capital account to adopt the measures, but success will depend on the government's commitment to maintain fiscal discipline. In 1994 the public sector deficit was 1 per cent of gross domestic product, the target for 1995 is 0.6 percent.

Since the end of 12 years of civil war in January 1992 the Salvadorean economy has grown by over 5 per cent a year. Inflation in 1994 was 8.9 percent, the lowest in Central America, and reserves reached a healthy \$780m, equivalent to about 4 months of imports.

Although the trade deficit was almost \$1bn in 1994, larger than total exports, Mr Bettaglio says that this was compensated by a similar amount of remittances from Salvadoreans living in the US.

The charity of Salvadorean workers in the US provides a source of hard currency which is largely unaffected by turbulence in international capital markets – as long as their presence is tolerated.

For the central bank, a currency board system, which also obliges the finance ministry to balance its budget, would provide a formidable tool to reduce inflation and push down interest rates.

Mr Cardenal questions government optimism that the measures by themselves will lead to substantial foreign investment. "What company will come to invest in country where the roads leave much to be desired; where electricity is rationed; and to get a telephone line is like winning the lottery?" he asks.

Many economists doubt the sustainability of El Salvador's healthy growth over the last 3 years, which owes much to a construction and services boom in response to demand repressed during the war years, and the one-off sale of state banks. It has also been fuelled by post-war reconstruction funds which have begun to tail off sharply.

The country's productive base is still extremely narrow and dependant on international commodity prices. The relative economic boom has shrouded stagnation in the agricultural sector which provides the basis of employment outside the capital San Salvador.

Analysts fear the government is indulging in hubris and underestimating the fragility of social peace.

Last month's occupation of congress and other public buildings by angry former members of the security forces protesting at unpaid severance pay, will not have impressed potential investors.

If the post-war period has led to an improvement in respect for human rights and political liberty, most Salvadoreans are yet to feel the trickle down effects of prosperity.

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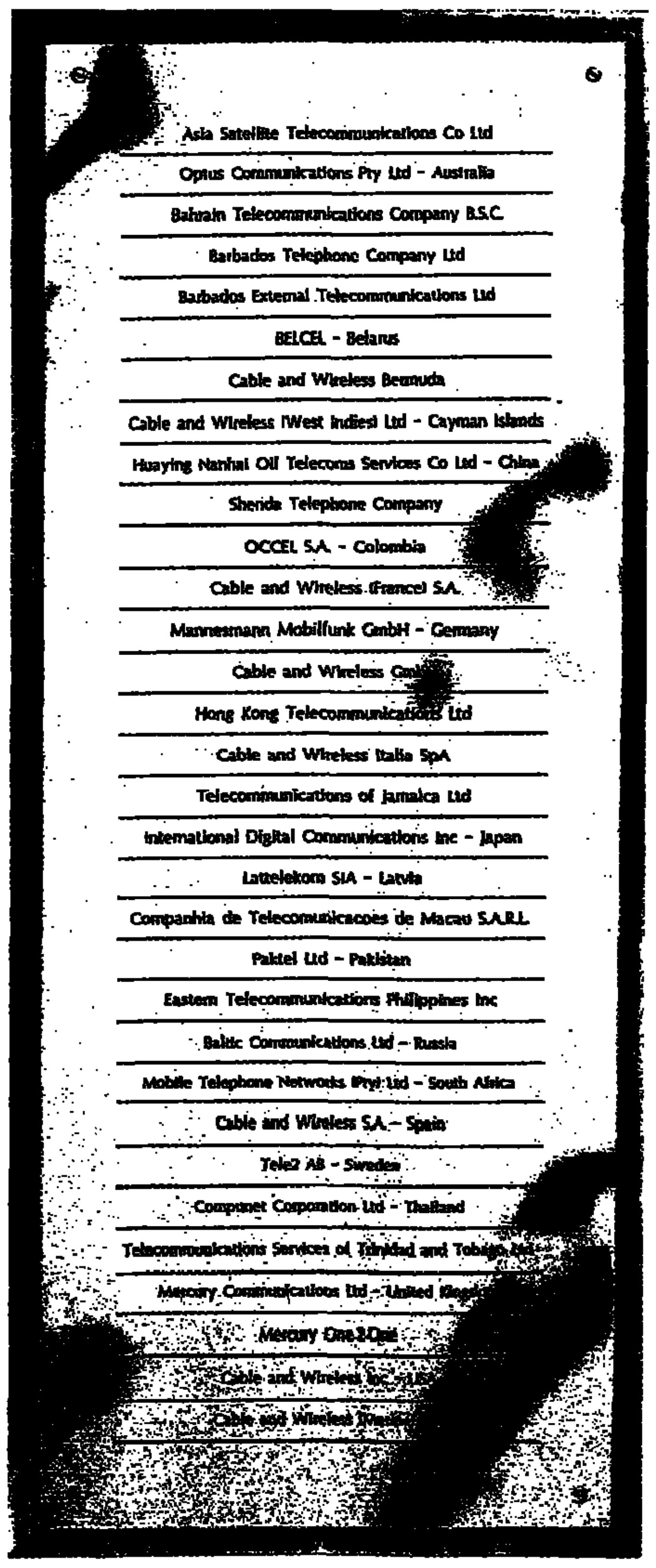

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NEWS: ASIA-PACIFIC

Japan urged to keep Eximbank

By William Dawkins in Tokyo

The World Bank and International Monetary Fund have urged the Japanese government to abandon plans to break up the Japan Export-Import Bank, an important lender to developing countries.

The two institutions have informally contacted Japanese government officials to spell out their anxiety over a political threat to the future of the state-owned bank, which co-finances billions of dollars worth of their projects. Several borrowing countries have also contacted Tokyo.

A break-up would damage Japan's foreign economic policy, administer "severe shock and deep disappointment" to international financial bodies and developing countries, and hinder attempts to recycle Japan's $129bn (£81.3bn) current account surplus, the Eximbank warned yesterday.

The break-up plan has emerged from an escalating battle over Japan's state financial institutions between the Liberal Democratic party, dominant member of the government coalition and the smallest but prickliest partner, the New Harbinger party.

The NHP, headed by Mr Masayoshi Takemura, finance minister, last year demanded cuts in public-sector agencies as a condition for lending his party's support for a rise in the unpopular sales tax sought by the finance ministry.

In response, the LDP provocatively proposed merging two important symbols of finance ministry power – the Eximbank and the Japan Development Bank, a lender to domestic industry. They both provide well paid jobs for retired finance ministry officials. The LDP only rarely challenges the finance ministry, and this is thus the latest sign of a new unpredictability in Japan's internal power balance.

The LDP's merger plan was shelved 10 days ago, after a bitter row with Mr Takemura, in a blow to the unity of the fragile coalition. Since then, the LDP has hit back with an even more draconian idea: to partition the Eximbank between the development bank and the Overseas Economic Co-operation Fund, the main agency for disbursing Japan's official development aid.

Established in 1950, the Eximbank lends $15bn a year, almost as much as the World Bank itself, but with a tenth – 550 people – of the Washington-based bank's staff, the Eximbank points out.

Co-financing with multilateral institutions accounts for just over 57 per cent of the bank's accumulated $33bn of untied loans to developing countries.

The Eximbank plays a big role in Japan's programme, started in 1987, to recycle some of the current account surplus to developing countries. In the five years to 1998, Eximbank will handle almost $50bn of Japan's $120bn long term lending to poor nations.

In another effort to tackle the surplus, the bank makes cheap loans to importers to Japan, on top of its historic export lending business.

Lockheed scandal finally wound up

By William Dawkins in Tokyo

Japan's most celebrated political corruption case yesterday reached its dénouement, after 19 years, in the Tokyo supreme court.

A panel of judges rejected the final outstanding appeals of two defendants in the early 1970s Lockheed payments scandal, which laid bare the depth of corruption in post-war Japanese politics.

The indictment of 16 prominent politicians and businessmen in 1976, including the late Mr Kakuei Tanaka, Japan's most powerful post-war politician, was the starting point for Japan's attempts, as yet incomplete, to make its political system more open and responsive to voters' aspirations.

Mr Tanaka used his authority, as prime minister from 1972 to 1974, to coerce ANA, the Japanese airline, into buying Lockheed TriStar jets, the court confirmed yesterday. In return, he accepted Y500m (£3.2m) from Marubeni, the trading company acting as Japanese agent for the US aircraft maker.

Mr Hiro Hiyama, 85, former chairman of Marubeni, yesterday received confirmation of a two-and-a-half-year prison sentence for his part in bribing Mr Tanaka on Lockheed's behalf.

The court also finalised a one-year suspended sentence on the other defendant, Mr Toshio Enomoto, 68, Mr Tanaka's secretary at the time, who accepted the money for his chief. Mr Tanaka had also appealed, but the case was dropped on his death in 1993.

The payments became public in hearings in Washington in 1976, two years after Mr Tanaka had already resigned as prime minister because of press allegations about property dealings.

Mr Tanaka continued to shape the Liberal Democratic party from behind the scenes long after that, until his retirement in 1989.

His influence continues in national politics in the form of former members of the Tanaka LDP faction, which has been important both in government and opposition.

His name also continues, through his daughter, Ms Makiko Tanaka, director-general of the science and technology agency, who yesterday expressed her disappointment at the outcome of the case.

The final word on the Lockheed affair is a reminder of old-style money politics at a time when politicians are coming under public criticism for slowness to reform their own ethics in line with recent legal reforms to purge the electoral system.

● Reuter reports from Taipei: Compaq Computer Corp. has formed an independent subsidiary in Taiwan in an attempt to boost its growing business in the Asia-Pacific rim.

The company, one of the world's largest personal computer makers, said its new subsidiary, Compaq Computer Taiwan, would aggressively pursue business opportunities in the growing Taiwan market.

Compaq is the best-selling foreign personal computer brand in Taiwan, a company official said. Sales grew 84 per cent last year. "The new subsidiary represents our intention to participate in Taiwan's Network Information Infrastructure," the official added.

Ramos signs bill for up to $15bn in arms

By Edward Luce in Manila

A bill guaranteeing the Philippine armed forces $7bn-$15bn (£4.6bn-£10bn) to buy modern weaponry over the next 15 years was signed into law by President Fidel Ramos in Manila yesterday.

The military's new spending power would be used to update the army, navy and air force, and setting up a self-reliant defence capability in the Philippines for the first time since independence in 1946, Senator Orlando Mercado, Senate defence committee chairman, said.

Politicians said the Philippines had compelling reasons to update its military capability in light of the recent spate of arms deals by the country's south-east Asian neighbours, including Malaysia, which pledged last year to buy 28 Hawk jets and two British frigates, and Indonesia, which recently bought a chunk of the former east German navy.

Senator Mercado played down suggestions Manila was joining the Association of South-East Asian Nations' mini-arms race. The country spends 1.3 per cent of GNP on defence, a smaller proportion than any of its neighbours. "The purchase of modern weaponry is important to protect our security," he said.

Last week, senior Filipino generals described the Modernisation of the Armed Forces Act as the country's much-awaited follow-up to the Philippine Senate's ejection of the US military from the Subic Naval Base and the Clark Air Base near Manila two years ago.

General Arturo Enrile, armed forces chief of staff, said the Philippines had long depended on Washington to guarantee its external defences. This had enabled the Philippines army to focus on the suppression of internal communist and separatist rebellions.

The external vulnerability of the Philippines' defence system, which relies on three 30-year-old F-5 jet fighters, was shown up this month when it was revealed the Chinese navy had built installations on the Kalayaan Islands, claimed by the Philippines.

Mr Ramos protested to the Chinese government about the installations two weeks ago and accused Beijing of having violated the 1992 Manila Declaration which pledges the peaceful resolution on the dispute over the Spratly Islands to which the Kalayaans belong.

The president, who was defence secretary under the previous administration of Mrs Corazon Aquino, told the Senate two weeks ago that the failure to enact the armed forces bill could be interpreted as a sign of weakness by Beijing.

Defence officials said the Philippines planned to buy surface-to-surface missiles, naval gunboats to patrol the country's sea territory, and anti-aircraft weapons over the next five years. This would be partly funded by selling former military bases in Manila and reducing military personnel from 180,000 to 100,000.

Bail-out of collapsed banks exposes flaws in Tokyo regulatory system

Flagrant disregard for laws went on for years, writes **Gerard Baker**

Efforts yesterday by Mr Tomiichi Murayama, the Japanese prime minister, to defuse the growing political row over the bail-out of two troubled financial institutions may have persuaded less cynical observers of Japan's political scene that the companies' rescue was not motivated by venal politicians or bureaucrats. But his defence of the public support operation for Tokyo Kyowa and Anzen credit associations did little to relieve the pressure on the financial authorities, whose credibility has been dealt a blow by the débâcle.

Mr Yasuo Matsushita, governor of the Bank of Japan, yesterday acknowledged that the rescue had exposed some shortcomings in the regulatory system but was confident the rescue would proceed smoothly. But many observers believe the affair has exposed serious flaws in Japan's approach to the financial system that will need to be addressed if it is not to be repeated.

The mechanics of the system have been exposed as deeply inadequate. The two credit associations were apparently able to get away for several years with flagrant disregard for the law governing their activities. Banking rules limit the amount of lending one bank can make to a single customer to a maximum of 20 per cent of its capital. Yet Tokyo Kyowa and Anzen had no fewer than 40 loans worth more than that, representing an extraordinary 65 per cent of their total lending. And more than 30 per cent of their lending went to companies related to the head of one of the two institutions, in a transparent breach of the principles of prudential banking supervision.

Officials seem inclined to blame this failure on inconsistencies in the quality of the regulatory agencies. While larger banks are regulated by the ministry of finance and the Bank of Japan, smaller institutions like the two credit associations are supervised by local governments.

"Local authorities lack the staff numbers and the expertise to supervise institutions efficiently," said one former finance ministry official. "Any review of the system will need to look urgently at that."

A second problem is the lack of preparedness for the scale of problems in the financial sector. In the event of a bank failure the Deposit Insurance Corporation is supposed to provide compensation to smaller depositors. But the size of the problems at Japan's banks almost certainly dwarfs the DIC's capacity to deal with them.

According to Mr Mark Faulkner, financial sector analysts at S G Warburg in Tokyo, the pay-out necessary for depositors at the two credit unions alone would have been almost a tenth of the total funds available. "Since there are many more institutions with larger numbers of deposits, the DIC is inadequate," he said.

But this inadequacy points to a much deeper flaw within Japan's regulatory approach, which is characterised by an extreme reluctance to allow any bank to fail. Uniquely among the world's largest economies, since the second world war Japan has never allowed a bank to go bankrupt. The regulatory authorities have long regarded the stability of the financial system as too fragile, since the inter-dependent nature of bank deposits means that a collapse of one institution could be followed by a run on other banks – a repeat of the financial crises of the 1930s in the US and Japan.

But the risks of this comprehensive safety net are obvious – if banks are never allowed to fail, they have no incentive to manage their affairs in a prudent way.

This so-called "moral hazard" was pointed out by the last governor of the Bank of Japan, Mr Yasushi Mieno, in a policy speech last autumn. He appeared to signal a change in policy by saying that in future some banks might have to be allowed to fail. Only those banks whose collapse represented a "threat to the entire financial system" would be bailed out.

Weeks later the two credit associations were salvaged by the central bank. Yet the two companies have assets of just Y240bn (£1.6bn) out of a total financial system with assets of more than Y500,000bn. Did their failure represent a systemic risk?

According to the Bank of Japan, yes. Officials have indicated that the danger of a financial crisis was a real one. That judgment was reinforced yesterday by Mr Masayoshi Takemura, the finance minister, who said: "A failure could have triggered a run on banks."

But if two small companies are a systemic risk, then the collapse of any financial institution is also a systemic risk. And if that is the case, then the Bank of Japan and the monetary authorities are in effect forced to underwrite the whole financial system, despite their protestations to the contrary.

"It's difficult to resist the conclusion that the whole system is still so weak that confidence could be rocked by the collapse of any one institution, however small. And that means all those institutions will have to be rescued," said one banking official.

As long as the financial system remains in intensive care, banks will continue to be propped up. That in turn implies that Japan's financial authorities will continue to underwrite the mistakes of the management that brought about the country's financial problems in the first place and that will make an early recovery even less likely.

Matsushita: acknowledged shortcomings in regulatory system

Prime minister defends controversial rescue of ailing financial institutions

Japan's prime minister Tomiichi Murayama yesterday defended his government's controversial decision to rescue two ailing financial institutions last December. Addressing a parliamentary budget committee, he described the bail-out by the Bank of Japan as necessary to maintain financial order, writes Gerard Baker.

The Tokyo Kyowa and Anzen credit associations had bad debts representing almost half their total loans, many of them to a property developer, Mr Harunori Takahashi, who enjoyed close links with leading politicians.

These links have raised anxieties that the rescue was politically motivated, but yesterday Mr Masayoshi Takemura, finance minister, vigorously denied that pressure from any politicians had led to the rescue. "I received no telephone calls or requests from politicians concerning the scheme," Mr Takemura told the same committee.

Both companies are being investigated by regulatory authorities and the police for possible false accounting offences and breaches of banking law. In addition to being one of the companies' main borrowers, Mr Takahashi was also president of Tokyo Kyowa and a director of Anzen.

Meanwhile Mr Yasuo Matsushita, governor of the Bank of Japan, acknowledged shortcomings had occurred in regulation of the two companies.

He said the system of supervising financial institutions would need to be examined carefully in the light of difficulties revealed at Tokyo Kyowa and Anzen. Large banks are regulated by the finance ministry and central bank but smaller institutions are supervised by local governments.

ASIA-PACIFIC NEWS DIGEST

Japan's output pushes ahead

Japan's economic recovery is continuing despite last month's Kobe earthquake, Mr Yasuo Matsushita, Bank of Japan governor, said yesterday. Output was returning to its pre-earthquake level, while consumption remained on a gradually upward trend.

But the effect of the quake on the country's balance of payments was still not clear and needed to be monitored closely. Japan's trade surplus dipped sharply last month because of disruption to exports after the quake. *Gerard Baker, Tokyo*

Pacific islands warning

Difficulties in gaining access to land, winning approval for investment projects and hiring expatriate workers are big obstacles to foreign investment for Pacific island economies, a World Bank report warned yesterday. The report, which found economic growth in the island economies of only two 2 per cent a year, said these barriers needed to be reduced to make the economic environment conducive to foreign investment. "Streamlining the investment approval process, clarifying property rights, relaxing regulatory barriers to land use by foreigners and easing requirements related to the hiring of expatriate workers" were measures that need to be taken, the bank said. *AFP, Suva*

Olivetti chooses Sydney

Olivetti, the Italian computer giant, has selected Sydney as the headquarters for its Asia-Pacific operations, it said yesterday. Mr Massimo Gallotti, regional director, said the unit would be responsible for banking, government agencies and multi-media development. The company would also establish one of its network control centres for the region there. Senator Peter Cook, Australian industry minister, said Olivetti had chosen Australia because of a low-cost business environment, skilled workforce and relatively low cost of living. *AFP, Sydney*

Taiwan to boost liaison team

Taiwan is to let government officials join its semi-official liaison body with China for the first time in an attempt to increase its negotiating power, Mr Vincent Siew, chairman of the cabinet-level Mainland Affairs Council, said yesterday. The plan followed a statement on Tuesday by Mr Lien Chan, Taiwan's prime minister, that an "era of negotiation" had begun and that the function of the semi-official Straits Exchange Foundation (SEF) should be readjusted and strengthened.

Until now, the SEF has comprised only academics, lawyers and business leaders. Chinese government officials have been working with SEF's mainland counterpart, the Association for Relations Across the Taiwan Strait (Arats), since its inception in 1991. *AFP, Taipei*

Prime site makes HK$1bn

Two prime residential sites in Hong Kong went for better-than-expected prices yesterday at a government land auction, but three industrial lots went begging, sending mixed signals about the state of the property market. The three lots zoned for industrial and commercial use in Kowloon and the New Territories were withdrawn after failing to attract bids. Eton Properties, a privately-held developer, acquired the residential site in Kowloon for HK$1bn (£83m) and another on Hong Kong Island's south side for HK$53.5m. *AFP, Hong Kong*

NZ pilots in runway row

Mr Harry Dynhoven, transport spokesman for New Zealand's opposition Labour party, alleged yesterday that Air New Zealand pilots ran their Boeing 737 engines at full power for longer than normal before take-off so that if they blew up they would do so on the ground. He called for a full inquiry into the airline's decision last Friday to ground 10 of its 13 domestic twin-engine Boeing 737s. Air New Zealand denied rev-up times on runways had been longer. *AFP, Auckland*

■ A Cambodian government census of its civil service has found 3,487 "ghost workers" on the payroll, the Information Ministry said yesterday. Mr Ung Teaseam, under-secretary of state for information, said 146,311 civil servants were paid last December, but only 137,604 had registered during a census on February 7. *Reuter, Phnom Penh*

■ Sri Lanka's trade deficit for 1994 widened to $1.56bn (£1bn) from $1.14bn the previous year, according to the central bank. *Reuter, Colombo*

Politics fails to taint India's golden corridor

The chance of a change of government is unlikely to dim the lure of Gujarat, writes **Shiraz Sidhva**

Polling ends on Saturday in the Indian state of Gujarat, but business leaders there are confident the state will continue to be conducive to investment whether the ruling Congress party retains power in the regional legislature or is ousted by the Hindu right-wing Bharatiya Janata party.

Gujarat, in the west of India, is the country's most industrialised state after Maharashtra, which has Bombay as its centre. Between August 1991, when economic reforms began, and December 1994 Gujarat approved industrial investments worth Rs597bn (£12bn), second only to Maharashtra's tally of nearly Rs680bn.

Mr Shashikant Lakhani, the state's industry minister, says: "Investors need power, political stability, industrial peace, ports, and ready availability of raw materials, and we offer all these."

Cashing in on its natural resources and geographical strengths which includes a long coastline, Gujarat has focused on the petroleum, petrochemicals and pharmaceuticals industries. These account for nearly 60 per cent of the investment approvals.

Reliance Industries, the country's largest company, has located its 700-acre petrochemicals complex in Hazira near Surat in south Gujarat. Reliance will invest over Rs90bn in the state in the next ten years, most of it to build an oil refinery in Jamnagar.

"The positive industrial climate, strategic location and excellent market potential for the end use of our petrochemicals products made Gujarat most attractive as a location for our projects," says Mr Anil Ambani, joint managing director of Reliance.

And according to Mr Uday Shah, who returned to the state after 20 years in the US to establish a small pharmaceuticals business: "There is a positive attitude towards business across the board, from the ministers in the state government, to the lowest levels of bureaucracy." He adds: "The state's record for industrial peace is unblemished, and there is less red tape here than anywhere else in the country."

Gujaratis are legendary for their business acumen and have a long tradition of trading. Many Indian businessmen abroad are from the state, which unsurprisingly attracted as much as Rs21.9bn from a national total of Rs72.5bn of investment from non-resident Indian businessmen between August 1991 and December 1994.

Gujarat remains the country's largest cotton grower and Ahmedabad, its capital, was once known as the Manchester of the East, but the textile industry has been in a long decline. Textiles now account for about 10 per cent of industry in the state, a level these days matched by engineering.

Funds from abroad have not been as easily forthcoming as domestic investment. The number of foreign investment approvals by the state amounted to just over Rs3bn in the year to last March, a fifth of Maharashtra's Rs15bn.

> 'There is a positive attitude towards business across the board, from the ministers in the state government, to the lowest levels of bureaucracy'

Government officials say the focus is not on foreign investment. "We want to get Indians here first," says Mr Lakhani. But state bureaucrats are happy that General Motors of the US recently agreed a $100m project with Hindustan Motors to manufacture its Opel Astra model at Halol near Vadodara in the state.

Mr Chimanbhai Patel, the state's chief minister until he died last year, was credited with drawing up the blueprint for industrial development in the state. Mr Chhabildas Mehta took over from Mr Patel and has maintained his policies. Some businessmen in Gujarat see the rival BJP as even more pro-business, and the Hindu party has committed itself to encouraging investment in infrastructure.

The government under Mr Patel, recognising that infrastructure, rather than tax incentives and subsidies made the most effective bait for big business, developed a strip of land 450km long and 40km wide, and aggressively marketed it as India's "Golden Corridor".

The stretch of coast south of Bharuch is absorbing more than 70 per cent of Gujarat's industrial investment currently being implemented. Unlike other parts of the state, which have severe water problems, the area is fed by two rivers. It connects in the north to Vadodara and Ahmedabad, the state's biggest cities, and its southern tip, Vapi, is a few hours' drive from Bombay, India's commercial hub.

Officials admit that industrial development in the state is skewed, with the corridor becoming overcrowded. The government will have to develop infrastructure to make the rest of the state viable for industry. This will not be easy. Much of the northwest of the state is wilderness inhabited largely by tribal groups.

"Gujarat could be a show window for India's economic reforms – if we act now, and invest in infrastructure," says a senior official in Gujarat's industry ministry.

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Japan's outp
pushes ahead

■ Labour party leader backs proposals ■ Dublin ministers may consider joining Nato and Commonwealth

Major fails to allay fears of Ireland sell-out

Profound unease was the prevailing mood on the Conservative backbenches after Mr John Major's speech to the House of Commons outlining the framework for a Northern Ireland political settlement, our Political Editor writes.

In spite of the prime minister's repeated assurances that no new institutional arrangements would be imposed on Northern Ireland, there were widespread fears that unionists had been alienated.

Mr Major's attempts to allay backbench fears were based on his repeated assertion that he is "a unionist who wants peace for all the people of the Union". He added: "I cherish Northern Ireland's role within the Union. I have no intention whatsoever of letting that role change unless it is the democratic wish of the people of Northern Ireland to do so."

His main theme of the day – in both his confident performance at the 9.30am Belfast press conference and his more subdued Commons speech at 3.30pm – was that there was "a triple safeguard against any proposals being imposed on Northern Ireland".

The "triple lock" consists of consent to any political settlement being required from Northern Ireland's political parties, the Northern Ireland people – in the form of a referendum – and the UK parliament. Only a few Union-supporting Tory backbenchers were openly critical. Most said it would take "several days" to form a proper judgment of the framework document.

Nonetheless, government whips were visibly anxious. The proposals are potentially more destabilising to the government than even the highly contentious debate on the constitutional implications of a single European currency.

The government has relied on the support of the Ulster Unionist party to maintain a voting majority in the house – to make up for the loss of support from the nine Eurosceptical Tory MPs who either lost or had withdrawn from them the Conservative party whip at the end of last year.

One Conservative backbencher said: "It would be fair to say that Mr Major's survival does depend on how these proposals go down."

It was probably little comfort to Mr Major that his most enthusiastic supporter was Mr Tony Blair, the Labour leader, who supported the Northern Ireland initiative "without hesitation" and praised the "courage and skill" of the British and Irish governments.

A government minister said that the reaction of unionist and Tory backbenchers was much as expected: "They were bound to be shocked at first. They key thing is that they should continue talking to us."

The most outspoken Conservative backbench critic was Mr David Wilshire, a member of the House of Commons committee on Northern Ireland affairs, who said: "I am deeply disappointed by the document. It contains... too little all-important reassurance to those of us who support the Union."

Mr Andrew Hunter, the influential Tory chairman of that committee, gave low-key succour in the chamber to Mr Major, reiterating that the framework document was a basis for talks and not a blueprint. However, Mr Hunter is thought to take the view that the document has conceded too much to Irish nationalists. The most contentious issue is the proposal that the British and Irish governments would establish a cross-border body. The more ardent supporters of the Union believe passionately that any such body should be set up by the mooted new Northern Ireland assembly.

They were also shocked by the suggestion in the framework document that if such a democratically elected assembly ceased to operate, the British government would "implement the commitment to promote co-operation at all levels between the people, North and South".

There is no rigid blueprint, says republic's PM

By John Murray Brown

Mr John Bruton, the Irish Republic's prime minister, said the framework document was not "a blueprint rigidly to be imposed on the people of Northern Ireland. It is not a cage within which their political leaders will have their dialogue. It is not an Irish nationalist agenda. It is not a British agenda."

At yesterday's joint press conference with Mr John Major, Mr Bruton on more than one occasion had to restrain himself from interrupting his British counterpart, clearly anxious to emphasise that the Irish Republic was in no way a junior partner in the peace process.

Even when asked what he and Mr Major had had for breakfast, the Irish prime minister had a good answer: "An Ulster fry of course."

Irish Republic opposition parties have indicated they will support moves to amend the country's 1937 constitution, which makes a territorial claim on Northern Ireland, and has long inflamed unionist suspicions of the republic's intentions.

This, as Mr Bruton sees it, is the Irish "side of the bargain", matched by British moves to establish north-south bodies answerable to the republic's parliament and a new Northern Ireland assembly. "Its a new Stormont with north/south bodies," the Irish premier told a television interviewer.

But Mr Bruton was also keen to stress the wider ramifications of this historic recasting of Anglo-Irish relations. He spoke yesterday of a "much richer co-operation between the two islands".

The importance of the Irish Republic's membership of the European Union is often understated in explaining the improvement in relations between Dublin and London in recent years.

Its still a long way off, but if a settlement in Northern Ireland is to be achieved, the Irish Republic has already signalled it would reconsider its status of neutrality and look at the possibility of joining Nato.

There is even debate in Irish newspapers about the possibility of rejoining the British Commonwealth which the country left in the 1930s.

In the coming weeks, the Fianna Fail opposition party is sure to probe the government's plans for constitutional change, which is one reason why the government decided not to include specific wordings in the framework document.

● Sinn Féin, the IRA's political wing, was the one party yesterday which declined to offer an instant verdict on the UK-Irish proposals for all-party talks on Northern Ireland.

Mr Gerry Adams, the Sinn Féin president, said there would be no formal reaction from the leadership until after this weekend's Ard Fheis, the party's annual convention.

Main points of the documents

Prime minister John Major and the Irish prime minister John Bruton yesterday

- A single-chamber Northern Ireland assembly of about 90 members serving a fixed term and elected by proportional representation. Law-making powers might not be conferred immediately.
- A panel of three, elected from within Northern Ireland, would monitor and complement the assembly.
- Assembly members would have a "right of duty" to serve on a new north-south body accountable to the assembly and the Irish parliament.
- The body will have executive, harmonising or consultative functions in matters initially designated by the British and Irish parliaments.
- Additional functions could later be designated, by agreement, by the Northern Ireland assembly and the Irish parliament.
- All decisions of the body must be reached by consensus.
- A parliamentary forum drawn from the Northern Ireland assembly and both houses of the Irish parliament, to consider matters of mutual interest.
- The Irish government will introduce and support proposals to change the country's constitution so that it no longer asserts a territorial claim to Northern Ireland.
- The principle of consent in Northern Ireland will be enshrined for the first time in British legislation.
- Britain and Ireland will draw up a more broadly based agreement, to develop and extend bilateral co-operation.
- A standing inter-governmental conference to consider matters of mutual interest, but not those transferred to the new political institutions.

Unionists wary of 'alien culture'

Stewart Dalby in Belfast meets members of the Protestant community

Amid the blizzard of Westminster reaction to yesterday's framework document, the answer to one crucial question remained unresolved, David Owen writes. Would the Ulster Unionists continue to talk to the British government about its efforts to cobble together a comprehensive political settlement for Northern Ireland? Or would they instead carry out their threat to withdraw their support from Mr John Major's government? On balance, it looked last night as if members of Northern Ireland's largest political party might well be prepared to carry on talking – albeit on the basis of their own settlement proposals unveiled this week.

Outside the austere and shuttered Protestant meeting place in Lisburn, near Belfast, four Union Jacks were flapping wildly in the wind. Inside the cramped Ulster Unionist party headquarters next door above Billy Bell's print and facsimile shop, the atmosphere was decidedly less breezy.

Councillor Jim Dillon and Mr Ivan Davies, chairman and secretary respectively of the party's Lagan Valley branch, were like two middle-aged white-collar workers who had just been made redundant with a rotten payoff.

They were not angry, but they were clearly worried about the future. They may have realised what was coming, but they still felt pained when it arrived. Neither had read the framework document, but they had seen Mr John Major on television.

"It is a sellout for unionists," said Mr Davies. "One more stage on the slippery slope towards a united Ireland."

Mr Dillon, a hardline Unionist, was also defensive, although he was impressed with the prime minister's sincerity. "It is not like 1985 and the Anglo-Irish agreement when the local people had no input. At least this time there will be some discussion. The real sticking point is the proposal for cross-border institutions. These are creeping reunification. They are unacceptable. I grew up to believe that anything to do with Irish nationalism was alien to my culture."

Asked what unionists could do to stop progress on the framework document, Mr Dillon scorned the idea of demonstrations, as happened when the 1985 Anglo-Irish agreement was signed. "There is no point getting people out on the streets," he said.

Lagan Valley happens to be the constituency of Mr James Molyneaux, the leader of the UUP. Mr Dillon did not attempt to disguise his disappointment at the way Mr Molyneaux seemed to have been taken over by events. "Jim Molyneaux is a very fine MP and he is under no threat if he wants to stand at the next election. But I think he was conned by Mr Major. He was led to believe he had a bigger say in events than he did."

Mr Dillon seemed to be echoing a general view that the unionist parliamentary leaders were confused and a wait-and-see attitude was now in order.

In the Robin's Nest public house around the corner from the Orange Hall, the proprietor, Mr Rodney Dowling, a Protestant, said: "I thought the document was balanced and fair. We've all got to live together. The document is a good basis for discussion."

He added: "We have a mixed clientele here of Catholics and Protestants. Our business has gone up 30 per cent since the ceasefire. People can now drive into town."

Three young men having their lunch were largely unaware of what had gone on in the morning. Just about every politician in the province fulminated on the television above their heads, but the young men said they hadn't realised what it all meant.

One, who said his name was Tom, said: "I did not realise it was today, but don't believe anything Ian Paisley says."

Outside, a 36-year-old woman, Ms Betty Thompson, emerging from the Mary Peters exercise clinic, said: "I haven't read the document or seen the television; all the people want here is for the peace to continue."

It was the same story in the Quicksnak tea bar. Mr Robert Reid, a pensioner and a Protestant, said: "I've had enough of violence. I just don't care. I think the document should be considered carefully."

Mr Eamon O'Connor, a Catholic pensioner at another table, said: "I think John Major is doing the best thing for us."

Back in Belfast, in the Protestant heartland of the Shankill Road, the documents had barely been considered by late afternoon. Few people were inclined to talk to reporters and film crews.

One young man in a leather jacket and dark glasses in the Rex pub said: "We're waiting to see what the paramilitaries say at their meetings tonight. Come back tomorrow."

UK NEWS DIGEST

Scots group wins big road project from Italians

Morrison Construction, the Edinburgh-based construction company, is to take over from an Italian group construction of a key stretch of the M74 motorway in southern Scotland to speed up completion of a seriously delayed contract. Morrison has signed a £4m contract with Castelli Girola UK and Impregilo of Italy to help complete a 1.4km stretch of motorway. Impregilo, which recently acquired Castelli Girola, will complete the rest.

Castelli Girola should have finished a £23.4m ($36.27m) contract to build 6.4km of motorway and side roads in 20 months by last November. But it suffered a series of setbacks which last autumn led to the UK government's Scottish Office advancing it £1.75m against a bond to enable work to continue and subcontractors to be paid.

An Italian earthworks subcontractor encountered delays in autumn 1993 which it attributed to the effect of wet weather on equipment imported from Italy. Castelli, which faced cash-flow problems, became involved in disputes with its subcontractors which in October 1994 took court action to block payments to it by the Scottish Office. The Scottish Office said that it hoped the contract will be completed "by the summer." *James Buxton, Scottish Correspondent*

Glaxo bid 'will boost research'

Wellcome Trust expects to increase spending on medical research by £50m ($77.50m) a year – enough to employ 1,000 more university scientists – if Glaxo succeeds in its bid for Wellcome, the drug company in which the Trust holds a 40 per cent stake.

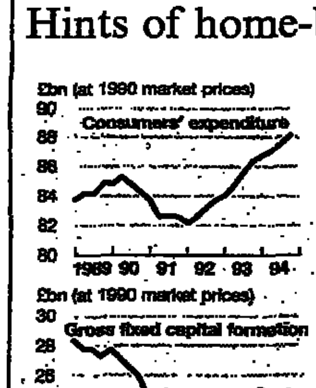
The Trust made its first public comments on the hostile bid launched a month ago when Dr Julian Jack, chairman of the Trust's scientific committee, appeared before the House of Commons science committee yesterday. Dr Jack said the Trust's capital base would increase by 24 per cent or £1bn if the bid succeeds, raising its income to £280m a year.

At the same time Dr Jack revealed that when Glaxo sprung its £9.2bn offer on the Trust on Sunday January 22, the trustees tried to impose conditions to protect Wellcome employees from the threat of redundancy after the takeover. "On the Sunday we explored whether there was any way to ameliorate the effect on the company," he told the committee. "Our legal advisers told us it would be outside our fiduciary duty to set conditions and we had to accept their advice." *Clive Cookson, Science Editor*

Minister attacks labour body

Mr Michael Portillo, the UK employment secretary, yesterday attacked the International Labour Organisation's new global employment report for its opposition to the British approach of creating flexible labour markets as a way of reducing unemployment. "The ILO is wrong if it thinks that making jobs more expensive has no effect on unemployment", he said. "What they say about a minimum wage and about labour market inflexibility flies in the facts and is flatly contradicted by other international organisations such as the OECD and International Monetary Fund." *Robert Taylor, Employment Editor*

Hints of home-based recovery



Source: CSO

One of the first hints that the UK recovery may be moving away from export-led growth towards a more domestic-based recovery emerged yesterday. Revised gross domestic product data from the Central Statistical Office suggested that a long awaited upturn in investment finally emerged in the last quarter of the year, while consumer spending growth also accelerated slightly. However, the surge of imports at the end of last year means that the role played by net trade in the recovery has fallen in recent months. Indeed, although net trade accounted for much of the growth in the middle of last year, domestic demand accounted for all the growth between the third and fourth quarters of last year, the CSO said. *Gillian Tett, Economics Staff*

Imports rechannelled: Nearly half of UK importers re-export some goods, contributing as much as £14bn to Britain's annual overseas sales, says the British Importers' Confederation. The survey, in conjunction with Lloyds Bank, found that 45 per cent of importers sold on some goods to buyers outside the UK, and such goods amounted to an estimated 11 per cent of the UK export total.

Boost for Welsh language: Almost one in three children in Wales can speak Welsh, according to a survey into the use of the language. The survey of 28,000 people found that 21.5 per cent of the principality's population spoke Welsh and 13 per cent considered themselves fluent. Mr Rod Richards, a Welsh-speaking government minister, said he was heartened to find more children speaking Welsh.

Lloyd's reformers suffer setback

By Ralph Atkins, Insurance Correspondent

Hopes of reformers at Lloyd's of London of an early shake-up of the insurance market's traditional broker-dominated system of selling commercial insurance policies have been set back by an internal report on Lloyd's strategy.

A working party, which included as many brokers as insurance underwriters, concludes: "Lloyd's should commit to the broker channel for reinsurance business and the majority, possibly all, of its commercial lines business."

The conclusions will disappoint those at Lloyd's who are anxious to see underwriters actively seeking commercial business around the world. Lloyd's underwriters can sell personal insurance, such as motor policies, direct to customers but the injection of corporate capital into Lloyd's is creating nascent insurance companies similar to conventional insurers which can deal direct with commercial clients.

The working party report does concede, however, the case for reviewing Lloyd's regulatory control over brokers and the access they have to the market. It also says that "for Lloyd's to grow in new markets such as continental Europe and the emerging economies of Asia, Latin America and eastern Europe, new distribution strategies may be required." The report recommends setting up two further working parties – one to study how brokers' access to Lloyd's might be reformed and a second to investigate the impact of corporate capital on the way Lloyd's policies are sold internationally.

The report recommends that the opening up of small commercial business to direct dealing should be considered after the first new working party has reached a conclusion. Although some insurers regard policies paying premiums of less than £10,000 as little different from personal lines, the report says brokers and some underwriters believe "that such a change would be seen to be at odds with Lloyd's commitment to the broker channel for the rest of its commercial lines business and could threaten the commercial interests of some Lloyd's brokers and underwriters".

Airports tiptoe towards private sector

By Geoff Dyer

National Express, the coach company, learned this week that its acquisition of Bournemouth Airport, on the south coast of England, had been approved by the two owners, Bournemouth Borough Council and Dorset County Council.

It was then told that its bid for Cardiff-Wales Airport, which serves south Wales, had been rejected in favour of TBI, the Cardiff-based property investment group. National Express is paying £7.13m ($11.5m) for Bournemouth Airport and an adjacent industrial estate, and plans to build up its European charter business. In July 1993 it bought East Midlands Airport from a group of local authorities for £27.1m.

Trying to persuade local councils to sell their airports is, said Mr Adam Mills, deputy chief executive of National Express, "a highly time-consuming business, because of the uncertainty of the political environment".

As a result of encouragement from a Labour party government in the 1960s, there are 35 municipally owned and operated airports in the UK. The present Conservative government has been urging privatisation. The amount local authorities can borrow to finance airport expansions has been cut from £72m in 1992-93 to £8m this year. In 1993 they were allowed to keep all capital receipts from airport sales rather than have to use 50 per cent to pay off debt. At one stage local authorities feared the government was going to legislate to force the sale of airports.

Mr Les Wilson, managing director of Lulsgate Airport in Bristol, south-west England, said: "Airports are crucial for the local economy. Any area without an airport cannot attract relocations and inward investment." But to expand, they have little option but to look to private capital.

Birmingham Airport, which serves the second-largest city in England, already has a private sector influence. In 1991 it opened its Eurohub terminal in which a consortium including British Airways; NCP, the car parks operator; and Forté, the hotel group, have a 61 per cent stake.

Mr Steve Greenwood, finance director, hopes to repeat the formula to finance the airport's development plans including a terminal expansion costing £250m-£300m and the extending of the runway. Flotation is also being considered.

Luton Airport, 75km north of London, will announce next week its partner in a £12m joint venture to build a railway station at the airport. Three companies are on the shortlist to acquire an 80 per cent stake in the company which will design, build and operate the station. Mr Richard Gooding, chief executive, said: "If we can demonstrate that it is successful, we will show the way to build infrastructure in the future."

But investing in municipally owned airports can be a slow process. The financing for Birmingham cannot be put in place until planning permission has been received and an application will not be made until the end of the year.

Lulsgate Airport is also waiting for the outcome of inquiries before it finalises its £30m expansion plan. The government is still to decide on night-flight restrictions, and planning permission for the development of British Aerospace-owned Filton Airfield into a commercial airport is under review. Labour-run Bristol City Council, which owns Lulsgate, has delayed a decision on long-term financing.

The local authority owners of some of the most attractive airports have no intention of selling. Manchester Airport, by far the UK's largest regional airport, said: "There is no real reason to privatise. We are already a successful organisation."

Cardiff-Wales Airport is to be privatised in a sale, subject to contract, to TBI, a Wales and London property investment group, Roland Adburgham writes.

TBI was named yesterday as preferred bidder by KPMG, the accountancy firm which is handling the sale for the municipal owners. The county councils of Mid, West and South Glamorgan have equal shares in the airport.

The amount of the bid is believed to be about £36m. The airport, which last year handled more than 1m passengers, made record pre-tax profits in 1993-94 of £2.41m. Its net assets in March last year were £30m.

Eighty per cent of Cardiff's passenger traffic is for charter flights. TBI said it wanted to expand international and domestic services, as well as tour business. Scheduled carriers are principally Manx Airlines, which has a franchise agreement with British Airways, and KLM, the Dutch airline. The main routes are to Paris, Amsterdam and Jersey.

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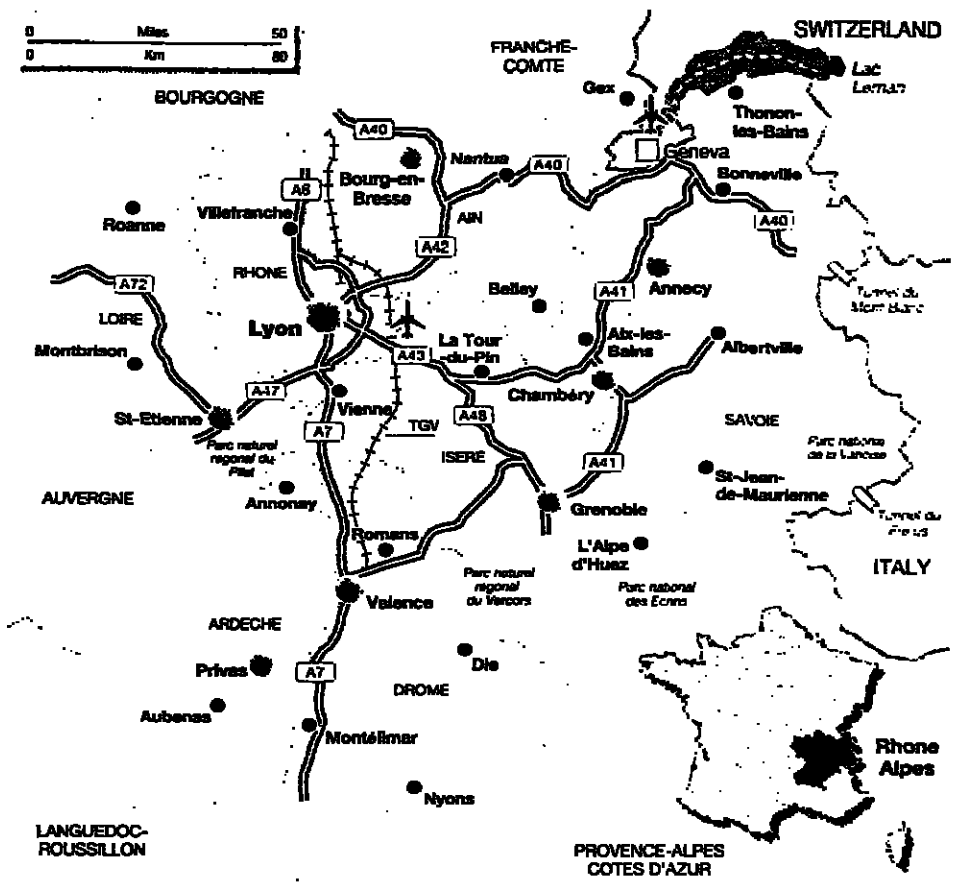
Gateway to Europe's south

Economic strength and recovery in the Rhône-Alpes region are overshadowed by scandals and a constant power struggle with Paris, reports Andrew Jack

Lyon has developed a reputation for psychosis as France's 'second city' *Picture: Ray Roberts*



The gleaming new museum of art in Grenoble, opened early last year, is a fitting symbol of the Rhône-Alpes region in south-eastern France.

The ambitious nature of the project, the diversity of its collection, the architectural quality of its buildings and the magnificent backdrop of Alpine mountain scenery enveloping its host city say much about the energy and the attractions of the region.

Yet the modest quality of many of its pictures – a large number of which have been provided by the French state – compared with the masterpieces on display in Paris, and its insistence on hyping their importance, says much about Rhône-Alpes' paranoia and its claims that it is dealt a poor hand in a constant power struggle with the nation's capital.

The museum, too, is the confident face which this important industrial region and motor of the French economy would like to present to the world. Yet, if one issue has dominated the media's coverage of the region more than any other over the past few months, it has been the growing number of "affaires" or scandals.

Mr Alain Carignon, the mayor of Grenoble, has been awaiting trialfor more than four months on corruption charges, while Mr Jean-Guy Cupillard, mayor of the nearby ski resort of l'Alpe d'Huez, was taken into police custody earlier this month.

Meanwhile, in Lyon, capital of the region and France's second-largest city, after many months of preparation Mr Michel Noir, the mayor, went on trial in February with 11 other alleged recipients of up to FFr33m embezzled from the companies of Mr Pierre Botton, a local businessman who is among the accused.

The scandals, the distractions they have caused for the region's political leaders, and the resulting climate of fear, may well have slowed decision-making in many administrative centres – a process magnified in any case by the uncertainties ahead of national municipal elections this June.

Yet Mr Dominique Nouvellet, head of Siparex, a venture capital company based in Lyon, argues that the region has always had a strong industrial base which means it has been able to keep the connections between business and politics more independent than in other parts of the country.

Far more influential for companies has been the economic situation, which affected Rhône-Alpes at least as much as the rest of France.

Mr Bruno Julien, head of the regional chamber of commerce, says: "I am averagely optimistic. Business-to-business trade is better, but consumer spending remains bad. Confidence is not solid."

The latest figures from the Bank of France suggest that the volume of deposits with banks has been rising steadily over the past few months, although demand from companies for credit continues to fall – a situation which it says is due to prudence and self-financing.

Nonetheless, across the region the economic position certainly seems to be improving.

Insee, the national statistical institute, shows unemployment in Rhône-Alpes had dropped to 11.9 per cent by the end of last year, below the national average of 12.6 per cent.

It also shows a recovery in confidence by business leaders in the region and a steady drop in corporate bankruptcies.

The problem is that Rhône-Alpes is in many ways not a single region, but a substantial and varied land mass.

It is far from easy to develop a strategy embracing software and chemical companies alike, on a terrain split between mountain peaks and river valleys, a verdant north and a more arid south.

It encompasses substantial wine regions such as the Loire and Beaujolais, delicate historic medieval villages, fragile natural wilderness in the Ardèche, and the stark, poverty- and violence-ridden suburbs around Lyon.

The situation is not helped by intense rivalries between the different districts: not least between the leading cities of Lyon, St Etienne and Grenoble, which despite numerous alliances seem often to act far too independently from each other.

Yet if the internal political situation is bad enough, it is nothing compared with the rivalries with Paris. Lyon has developed a reputation for psychosis as France's "second city". Take the example of Crédit Lyonnais, the large state-controlled bank with a name that symbolises the traditional strength and independence of the region.

Its circular modern office building, nicknamed *le crayon* or pencil, dominates Lyon's skyline, and senior executives still troop symbolically to its historic headquarters in the city centre for some of their board meetings. Yet most of their time is spent within walking distance of the Seine in Paris rather than the nearby convergence of the Rhône and Saône rivers.

Indeed, Jacques Bethemont, a geography professor at Lyon university, argues that there is scant little regional identity that remains. Where once Roman roads did not even touch France's capital but swept through his adopted city, the capital of Roman Gaul, now "everything is sucked into Paris," he says.

In the latest frustrating defeat, locals are smarting from a government decision taken in January to give priority to a new high-speed TGV rail link between Paris and Strasbourg ahead of another one that is planned to connect Lyon with northern Italy.

The region certainly does not lack broad ambitions.

Los Angeles is the latest metropolis with which the local planners are drawing comparisons as they prepare their third bid this century for the Olympic Games, hoping to build on the historic success of hosting the Winter Olympics in 1968.

While Lyon lost the battle for the location of the European Central Bank, officials talk with pride of their success in winning the headquarters of Interpol.

This, coupled with the nearby national police training college and the recently-opened forensic centre, caused one local newspaper to mischievously suggest the city had finally found its vocation: as "cop town".

More generally, there are strong efforts to link up with other economic regions outside the capital cities of Europe.

Those cited most commonly are Catalonia, Baden-Würtemburg and Lombardy. Equally, there are connections with Geneva, Milan, Birmingham and large centres across North America.

The announcements on the TGV or the recorded messages when telephoning an organisation in the region are likely to be in English and Spanish or German as well as in French.

There is more than just rhetoric or pretension to these multi-cultural, cross-border claims. As Mr Thierry Bernard, head of Erai, the region's international economic development agency, puts it: "Everyone from Wales to Andalucia says that they are at the heart of Europe, but just take a look at the map."

He says that – in spite of the lack of tax concessions and other financial incentives which characterise most areas trying to lure investors – 10 per cent of the 270 foreign businesses locating in France in 1993, and 18 per cent of employment, came to this region, making it higher than any other part of the country.

As a gateway to the south of the continent, few places have such a strategic role or concentration of transport links.

Equally, Mr Bernard highlights the industrial base with its skilled workforce, the concentration of education, training and research centres, as well as the quality of life.

Ultimately, it is these location factors – so strongly present in the Rhône-Alpes region – that more than anything may help provide the raw materials to paint the picture of economic activity in the years to come.

John Ridding reports on industry

A period of renewed vigour

There is an air of optimism among the business leaders of the Rhône-Alps, the industrial stronghold which is one of the motors of the French economy. After the impact of recession in 1992-93, recovery started to gather steam last year. 1995 promises to be a period of renewed vigour.

Mr Jean Chemain, director-general of the chamber of commerce in Lyon, says: "What chairmen say and what I hear from the Bank of France and commercial banks such as Credit Lyonnais suggests that the lights are green."

Mr Michel Mottard, chairman of Samat, the transport company, and head of Gil-Patronat, the employers federation for the Rhône area, says: "Industry in the region suffered a lot in 1993 but since last year we have seen recovery, which seems to be faster than in the rest of France."

As in other areas of France, the recovery has been uneven across industrial sectors. Consumer-related activities have remained fragile as confidence returns only gradually to French households. "Unemployment remains a big concern and has put a brake on spending", explains the chief executive of a leisure-wear company.

Many of the traditional pillars of the region's industry, however, have seen healthy progress.

Pharmaceuticals and chemicals have seen a marked pick-up in activity, as have companies involved in precision engineering and computing.

Businesses related to the vehicle sector have benefited from government measures, introduced last year, to stimulate car sales. Renault VI, the trucks and buses arm of the state-owned vehicle group and one of the biggest employers in the region, put workers back on full-time shifts to respond to a pick-up in the market.

The resilience and rebound of industry in the Rhône-Alps is partly explained by its strong export performance. "If you look at the statistics from the customs office then you will see that this region has never run a deficit in trade", says Mr Chemain. In recent years, there has been particularly strong growth in shipments to new markets in Asia and continued expansion in the US.

The region has also benefited from a diversified industrial base.

Mr Robert Maury, director of Aderly, the investment agency for the Lyon region, says: "With the exception of aerospace, the area has companies from most significant business sectors." Mr Bruno Lacroix, chairman of Aldes, which manufactures ventilation systems, and vice-chairman of the Patronat employers's federation, says: "There is a broad and generally competitive industrial tissue."

But remaining competitive on an international level represents a tough struggle for businesses in the region, and some cards are stacked against them. As elsewhere in France, taxes and payroll charges for the social security system weigh heavily on employers, forcing up their cost base.

The chairman of one medium-sized manufacturing company calculates that the total cost of an employee is more than 55 per cent higher than what the worker receives in pre-tax pay. He is also critical of the *taxe professionnelle*, a levy calculated on the basis of assets and total salaries paid. "It is hard to compete when we have to overcome these extra charges", he says.

For some observers, such burdens are offset by the high labour productivity in the region; by the strength of its infrastructure, from transport to research facilities; and by its strategic location. Mr Maury at Aderly, for example, claims that such factors loom large in the considerations of foreign investors who have come to the Rhône-Alps in increasing numbers.

Overall, about 20 per cent of employment and investment in the region is accounted for by foreign businesses. In some areas, such as the Isle d'Abeau corridor to the east of Lyon, the proportion is in excess of 50 per cent. Hewlett Packard of the US, Bosch of Germany, Canon of Japan, and Ikea of Sweden are among the more familiar names in the ranks of international investors.

The nature of foreign investment is revealing. Ikea's decision to base its logistics operations for southern Europe in the Rhône-Alps reflects the advantages of the location. Perhaps more significantly, the presence of high technology companies, such as Hewlett Packard, demonstrate a trend towards higher value added, knowledge-intensive activity. "This doesn't just affect new industries such as computing and telecoms," says one local business executive. "It is happening too in more traditional industries such as chemicals and engineering."

In many high-tech areas, the Rhône-Alps is already strong. Grenoble, for example, has long been a centre for computing manufacture and research. State-of-the-art factories, such as the semiconductor plant of SGS-Thomson, the Franco-Italian group, reflect the continued strength of the region in that field. The area has also diversified into other high-tech fields including advanced materials.

In Lyon, universities and private research centres provide a strong infrastructure for the pharmaceuticals, vaccines and agrochemicals sector.

Nuclear technology represents a further area of development. "We are the leader in nuclear engineering, in the development of power plants and the related environmental industries", says Mr Chemain at the chamber of commerce.

The shift to sophisticated, higher-value added industry, however, is rarely a smooth or painless process. International competition and the rising costs of labour have devastated areas of the textiles industry, once a bulwark of the local economy.

Swathes of the chemicals sector, particularly in bulk products, have been scaled down or disappeared. "We are still a big region for chemicals, but not the same chemicals as 10 years ago", says one local industry executive. "Nowadays it is speciality products, not carbonates, phosphates and that type of thing."

The development of industry in the Rhône-Alps will therefore place a premium on innovation and technology. These are traditionally areas of strength in a region which prides itself on entrepreneurship, research and commerce.

But there are also areas of weakness. In particular, and in common with the rest of France, the Rhône-Alps lacks a dynamic medium-sized business sector.

"We are not strong enough in this area," says Mr Lacroix. "In Germany it is these companies of between 500 and 5,000 employees who play a vital role in the economy. In their absence, even greater importance is attached to the ability of the heavyweights of the Rhône-Alps to stay nimble on their feet."

INDUSTRIAL STRUCTURE

Industry sector	Greater Lyon	Rhône-Alps	France
Food and food processing	283	2,134	20,207
Energy	139	1,347	13,721
Metals and ores	56	200	1,399
Construction materials	152	1,621	14,959
Glass materials	51	153	1,725
Chemicals, synthetic fibres	68	226	2,328
Pharmaceuticals	169	488	4,676
Metal processing	976	5,649	30,183
Mechanical engineering	1,240	5,313	38,892
Electronics	778	2,520	20,958
Cars, shipbuilding, aircraft	123	574	5,440
Textiles, clothing	1,137	3,754	29,750
Leather, footwear	63	405	4,139
Timber	1,246	5,833	52,356
Paper, cartons	101	342	2,533
Printing, publishing	1,031	3,124	35,540
Rubber, plastics	212	1,380	7,371
TOTAL	7,805	35,070	284,167

Source: INSEE

Foreign investment in Rhône-Alpes

Investing country	No of companies*	Employees
US	120	24,064
Britain	99	22,474
Germany	70	17,488
Switzerland	51	11,038
Italy	32	7,457
Sweden	28	14,836
Netherlands	27	4,559
Belgium	17	3,121
Japan	11	1,924
Sweden/Switzerland**	7	2,028
Finland	6	851
Denmark	5	438
Luxembourg	4	289
Canada	3	601
Austria	2	228
Hong Kong	2	848
Liechtenstein	2	217
Israel	1	250
Ireland	1	75
Kuwait/Britain**	1	360
Lebanon	1	267
Trinidad	1	300
TOTAL	491	113,713

Notes: *Companies with more than 50 employees **Joint ventures

Source: Aderly

Profile: St Etienne

Image is a problem

The most pleasant way to view St Etienne, the second-largest city in the Rhône-Alps region, is to start at the centre. The problem comes in the surrounding suburbs.

In the middle of the old town, a collection of magnificent buildings, fine facades and even a working tramway remind visitors of the richness of the industrial past. Yet its challenges today are as difficult to negotiate as the complex one-way traffic system winding through the labyrinthine network of narrow streets that the planners have inherited.

After prosperous growth in the nineteenth century, the city today suffers from the heritage of declining heavy industry, lack of diversification, and the substantial burden of a depressed "rustbelt" image widely held across France despite some signs of renewal.

The negative image is a problem recognised by Mr Michel Thiollière, the recently-appointed mayor, who finds it rather perplexing but recognises it as an important challenge. He looks slightly out of place in his antique-lined office, dressed in his grey suit, with neatly-combed hair, spectacles and a friendly, urgent manner as he leans forward and clasps his hands to listen or speak.

In fact, he looks precisely like the former local school teacher that he was until propelled into power last May. His patron and predecessor "retired" prematurely following intense controversy after privatising the local water supply, triggering a vast increase in tariffs which are subject to court scrutiny in Lyon.

"It is true, we have a problem of image," he says. "When you look at other towns with economic difficulties such as Montpellier, we compare very favourably. Our net deficit is in communication. We have a fertile economic fabric and have made strong cultural efforts. We believe St Etienne is an agreeable town in which to live in the years to come."

He points to the city's modern art museum, for example, which claims to be the second most important in France after the national museum in the Pompidou centre in Paris.

Like St Etienne's football team, however, the city has seen better days. "The town is in crisis," says André Vant, professor of geography at the university. "I am very pessimistic about the future. The population is stagnant, there is a decline in industry, a crisis in employment."

He says the city is being increasingly neglected by Lyon, and that it remains too divided internally between different administrative communes. He adds that it lacks political leadership with any national power base which might help to attract funding or generate interest from elsewhere in the country.

He is also sceptical of countless urban development initiatives in the past few years, often accompanied by glossy colour brochures which have failed to lure many companies into the area. "When you see the literature from the city, you have a temptation to smile a bit. It's all about urban marketing."

"They have *technopôles* for everything, but St Etienne is still not a *technopole*," he says, in a reference to the many specialist industrial parks established over the past few years.

He believes these have so far failed to generate much new business or an accompanying core of expertise of new skills.

So there are *technopôles* for water, mechanical engineering, bio-medicine, computer-generated images, and even for meat processing. Yet Prof Vant argues that there is still an absence of sufficient technical training and skilled workers. Nonetheless, city officials stress the importance of "conversion", with companies attracted by the traditional skills of the area which can be used in new ways. The textile business now produces bio-medical supplies, for example. The officials also stress that unemployment at 13.9 per cent is not much above the national average.

St Etienne has one very important economic base: the privately-controlled Casino supermarket group, which provides considerable financial support. But officials also point to the strength of car sub-contractors, and such "stars" as JB and Obut, the leading manufacturers of pétanque balls, or a supplier of planetariums.

"Since becoming mayor I have been struck by the number of companies which are the leader in their market, though they often do not make a noise about it," says Mr Thiollière. "The image of us as a small town with a declining economy may have been true 20 years ago, but not any more."

His own litmus test will come in June, when he plans to stand for election – the first test among all the voters of St Etienne of his credibility. Many say that his accessibility, friendliness and enthusiasm will guarantee his continuation in office. The more important question is whether image will be enough to propel the city forward over the next few years.

Andrew Jack

Communications technology

Flurry of activity

The Rhône-Alps has long benefited from its location, writes John Ridding. Spliced by the mighty Rhône and Saône rivers, situated at the centre of Europe, and in the valley which joins the north and south of the continent, it has drawn commercial and cultural advantages from its trump cards in communications.

Geographical accident will not, however, determine the winners in the current communications revolution. As technology expands the speed and capacity of telecoms and computer connections, it is the areas best prepared in terms of investment and infrastructure which will capitalise.

The message is not lost on the Rhône-Alps. "It is a vital area of development", says an official at the regional council. "Economic competitiveness will increasingly be determined by connections between businesses and research centres and national and international communications networks, while consumers will want access to entertainment and multimedia services."

The importance of the stakes involved have prompted a flurry of activity in the Rhône-Alps. From municipal authorities to universities and from cable TV companies to computer groups a range of projects are being proposed to develop services on existing networks and to prepare for the so-called information superhighways. Dubbed *Autoroutes d'information* in France, these networks will ultimately allow the interactive transmission of data, voice and images.

The Rhône-Alps has been one of France's most active regions in preparing the ground for such highways. The regional council for the department of the Rhône, for example, is implementing plans to connect the 300 or so communes in its jurisdiction to a cable network. By the year 2000, the aim is to have linked every community in the department, from the smallest villages to Lyon and the other large cities, to cable connections. This, in turn, will allow access to interactive services and telecoms operations developed on the cable network.

Private sector companies are also pushing a series of initiatives. Lyonnaise des Eaux, the utilities and communications giant, is proposing to launch trial interactive telecoms and media services in Annecy, to the east of Lyon, as part of a series of national experiments aimed at drawing up a road map for France's information superhighway. The French industry ministry, which received about 600 proposals for experimental projects, is at present weighing the wave of applications.

While Lyonnaise des Eaux awaits the verdict from the industry ministry, however, private and public institutions are already hooking themselves into expanding communications networks. The University of Lyon, for example, has linked up its research centres through a fibre-optic network and is forging connections with research institutes and libraries in France and abroad. This is done through Aramis, the regional network. Aramis, in turn, is connected to Renater, the national network, and the internet.

Handicapped people input documents into the local library database

Mr Jacques Moulinier, responsible for new technology and communications at the mayor's office in Lyon, describes a series of information services developed in the city. These range from a geographical and town planning data base which comprises maps, reliefs and other information for utilities and building contractors, to a *teletravail* project in which handicapped people input documents into the local library database.

At the Ecole Centrale de Lyon, one of the city's university research centres, various projects are being developed with an eye to the next generation of interactive services. Mr Bertrand David, professor of computer science, heads a team which is working on interactive services with applications from educational courses to remote medical diagnosis and even to driving instruction. A recent experiment, for example, involved the simultaneous manoeuvring of computer image cars by several remote operators.

For Mr David, the commercial applications of such initiatives will take time to become clear. So too will the appetite for interactive services and the willingness of the public and private sector to provide the investments necessary to turn experiments and unco-ordinated initiatives into coherent networks.

As one local telecoms executive put it: "We are at an early, but crucial stage in questions of regulations, systems and compatibility. But a region like Rhône-Alps, with its strong presence in research and its tradition of communications, is going to have to make sure that it is plugged in."

According to official statistics, the region has nearly 17,000 restaurants

Andrew Jack looks at tourism

Foreign visitors redress balance

Rhône-Alps has a rather unusual challenge when it comes to tourism. It is not so much that it has too few visitors, but rather that it has too many – or that they go to too few places and at the worst times of year.

Mr Vincent Rain, head of the regional tourism board, practically clambers across the large map on his wall as he points out the number and diversity of attractions available in one of France's most widely visited areas.

In the east are the Alps, providing the base for a range of mountain sports in both summer and winter, dominated by skiing: not just in large centres such as Les Deux Alpes and Méribel but also less well-known ones such as the high altitude L'Alpe d'Huez.

To the west are the wine valleys with an equally worldwide reputation – the Loire, Rhône and Beaujolais – to complement the reputation of the region as a culinary capital stocked with internationally-rated restaurants offering a diverse range of local specialities.

To the south is the Ardèche, containing among its attractions a network of prehistoric cave settlements and paintings including the latest discovery at Combe d'Arc, one of the most important, dating from 20,000 years ago.

All around are scattered chateaux and settlements, larger cities such as Lyon, Grenoble and St Etienne with their museums and old buildings, and small, hidden villages such as the hill-top cobbled streets of Pérouges or the medieval town of Crémieu.

According to official statistics, the region has nearly 17,000 restaurants, 175 ski stations, 311 museums, 114 chateaux, and more than 2,000 historic monuments. No surprise it remains one of the most popular parts of France.

In 1992, 10 per cent of the French who took holidays visited Rhône-Alps. Of those arriving at Lyon's Satolas airport, 54 per cent were French, 7 per cent British and about 5 per cent from both Spain and Germany.

But while the annual number of tourists to the region has continued to rise, Mr Rain says that the amount they spend has declined in line with the economic downturn, with a significant impact on the turnover of hotels and restaurants. "It is only just starting to recover," he says.

The region has been active in promoting its qualities, entering recently into an agreement with the Maisons de la France, the national tourism promotion offices in other countries, in which it now has its own staff in a number of foreign capitals.

With such diversity on offer, it has over the past few months tried to move away from promotion of particular areas within the region towards a more thematic approach across the territory, with programmes designed to sell its conference venues, golf courses and water sports, for example.

But its principal challenge is to try to lure visitors to less well-known areas and to try to reduce the enormous seasonal fluctuation of tourism. "Rhône-Alps doesn't exist as a region," says Mr Rain. "The beacons of the region are well-known and there is a multitude of sites but if we continue to promote the stars alone the other areas will not benefit."

The tourism council is therefore establishing information bureaux at the most significant entry points to the region, and providing assistance and brochures at the sites which are the most frequently visited.

The big seasonal variations in the number of visits to different parts of the region present particular challenges for employees, many of whom take part in unusual annual migrations between ski resorts in winter and beaches and similar hot-weather destinations in summer.

More worryingly, there is a danger of overcrowding. While skiers may complain of crowded slopes in the Alps during the winter and spring, perhaps the most troubling threat is to the fragile ecology of the Ardèche during the summer.

The main culprit is the French practice of the *grandes vacances*: the summer holidays in July and August, linked to the school break. Three-quarters of those visiting in mid-July are French, for example.

"We need to elongate the season as far as possible, at least in the 50 most popular sites," says Mr Rain. It is one reason that he is particularly grateful for an influx of foreign visitors, who help redress the balance by coming at other times of year.

Profile: Rhône Poulenc

Links remain constant

In 1895, a local chemist called Marc Gilliard opened his first factory in southern Lyon. The company, Société Chimique des Usines du Rhône, employed 233 people and supplied colourants to the city's thriving silk industry.

One hundred years, several name changes, and a series of transformations later, the venture he launched has developed into one of the world's largest chemicals and pharmaceuticals groups. Rhône Poulenc now employs more than 80,000 people and achieves annual sales of more than FFr80bn.

As the name suggests, the company's links with the Rhône-Alps have remained constant. With 14 factories, six research centres and 14,600 employees in the region, it is one of the area's biggest industrial groups. "We are firmly rooted here", says Mr Xavier Patrouillard, head of the company's operations in the Rhône-Alps.

For Mr Patrouillard, the development of Rhône Poulenc demonstrates the traditional importance of chemicals and pharmaceuticals to the regional economy. But the company's experience also symbolises the significant adjustments and restructuring undertaken by many local industrial groups as they seek to cut costs and respond to tougher international competition.

At Rhône Poulenc, such restructuring has been profound. Twenty years ago, for example, the company employed twice as many people in the region. Much of its business was linked to artificial fibres and relatively low value-added bulk chemicals – product lines which have been shed or cut back in recent years.

According to Mr Patrouillard, there are two principal causes for the transformation. On one hand, he cites the impact of productivity measures necessary to keep pace with the industry leaders. "We have seen productivity improvements of about 3 per cent a year for more than a decade", he says. In addition, the company has adopted a strategy of contracting out non-core activities.

A range of services, from routine maintenance to catering, is now undertaken by outside companies.

Upheaval, however, is nothing new to Rhône Poulenc. From its origins in speciality chemicals at the end of the last century it moved into aspirins and pharmaceuticals. There followed a big shift into textiles and artificial fibres, accelerated by the purchase of a licence to produce nylon from Dupont after the second world war.

Expansion in base chemicals and agricultural chemicals followed before Mr Jean-René Fourtou, the current chairman, launched a strategy of disposals and acquisitions to shift the group towards higher value-added products and a greater concentration on pharmaceuticals and speciality chemicals.

"Today, our group is finding again its original vocation," says Mr Patrouillard. "It is a case of *plus ca change, c'est plus la meme chose*," quips an analyst at a French merchant bank.

The group's underlying attachment to the region seems similarly stable. "We are in a region which carries our history and should bring our development", says Mr Patrouillard. "We will continue to invest here."

Part of the reason is the research and infrastructure base. "There is a very strong support structure in grey matter and in trained personnel", says the Rhône Poulenc executive. He argues that the research infrastructure in the area will be strengthened by the merger of Lyon's two main chemicals research centres; L'Ecole Superieure de Chimie Industrielle, which boasts a Nobel prize winner as a former director, and the Institut de Chimie-Physique Industrielle.

Equally important is the area's traditional acceptance of the chemicals industry. "A territory has to be prepared to accommodate an activity which has bad an image of pollution, and danger", says Mr Patrouillard.

"When you look at Europe, the zones of big concentrations of chemicals activity have become very localised, partly because of ecological pressures. But the Rhône-Alps is used to our industry and understands our presence."

Over recent years, Rhône Poulenc has worked hard to reinforce its image and the understanding of the local population. The company is implementing an ambitious plan aimed at cutting emissions by 70 per cent by the year 2000, taking 1990 as the base year. According to Mr Patrouillard, the group is on target for water and air emissions. It is stepping up efforts to tackle a slight slippage in residue emissions.

Ties with the community are also strengthened by the company's role in training and apprenticeships. Lyon, like other leading French cities, is blighted by high unemployment, prompting incentives by the government and schemes by employers to tackle the problem. Rhône Poulenc, for example, has more than doubled the number of apprentices in its factories over the past year and stepped up its on-site courses for college students.

Not all will find work at the company when their courses are completed. Limits on employment remain tight, while Rhône Poulenc is still in the process of restructuring. "It is a constant process of productivity gains," says Mr Patrouillard, who says the trend at the company, like the region, is towards capital-intensive activities.

Underlying this trend is the fact that it is no longer efficient to make cheap bulk products in Rhône-Alps. "We are increasingly pushed towards sophisticated higher value activities," says Mr Patrouillard, citing new investments in pharmaceuticals, vaccines and animal health products. He believes the resources in Lyon and its surrounds should enable this transition to proceed smoothly. But, like the experience of the past 100 years, it will require an ability to manage continued change.

John Ridding

Banking and finance

Lure of Paris is evident

The imposing nineteenth century Palais de bourse in the centre of Lyon provides a powerful illustration of the radical changes that have affected the financing of business in the Rhône-Alpes region writes Andrew Jack.

Once full of traders buying and selling shares, the impressive stone-faced building now has an almost derelict air. The gold paint on the ceiling still looks fresh, but notices from the market regulators on the walls date from 1989, giving it the appearance of a museum.

Local executives still remember tears at the farewell dinner after the last night of trading in 1991, in the hall which has since remained vacant. Some of the surrounding offices have found new uses; others sit empty. The local representatives of the Société des Bourses Francaises use just one corner of the building today.

That is not to say that the stock market has abandoned local companies. But like many things which once had a strong traditional base in the area in spite of the centralising pull of Paris, the operation of the bourse has undergone considerable change.

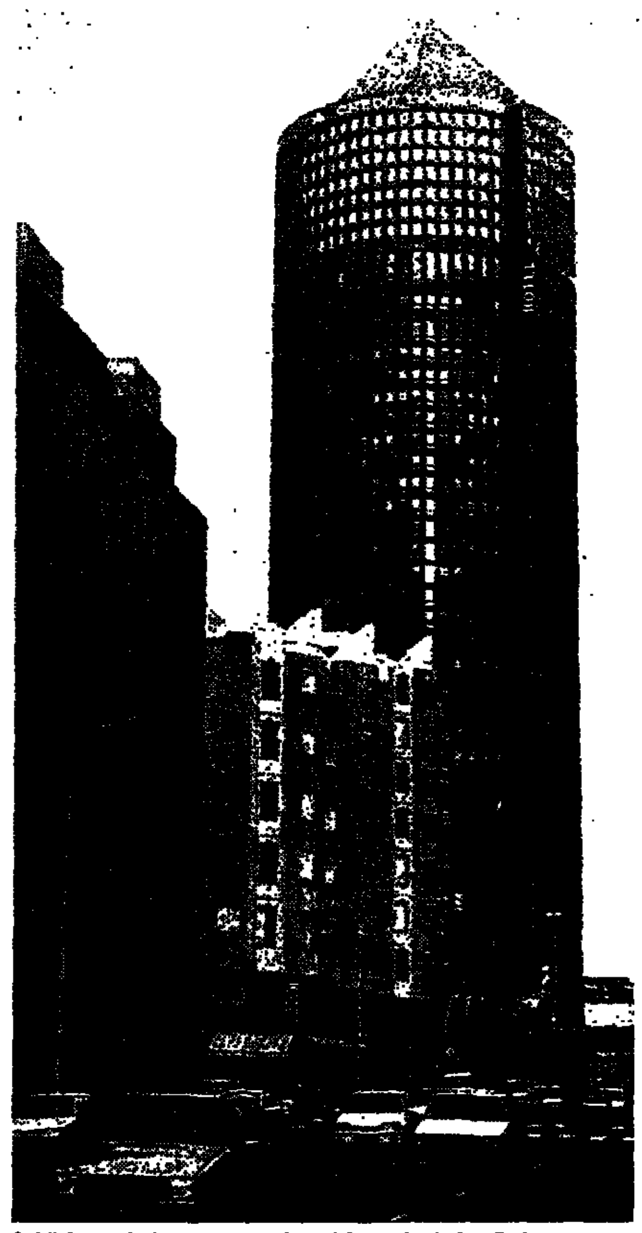
Several important brokerage firms and analysts remain in the city

All trading is now conducted at a national level, with the use of the telephone and electronic trading screens providing a network no longer tied to any one physical location.

The local operators have gone and the loyalty by Lyon investors to companies from the region has all but disappeared, although several important brokerage firms and analysts remain in the city.

"It is a bit like the horse-drawn carriage," says a senior bourse official in Lyon, with few regrets about the changes over the past few years. "There is a certain nostalgia for them, but in fact they were less effective and uncomfortable."

The lure of Paris as the centre of economic activity and strategic decision-making is perhaps nowhere more evident that at Crédit Lyonnais. The bank, which was founded locally and proud of the fact that it opened a branch in London before one in France's capital city, has today nevertheless succumbed.



Crédit Lyonnais, Lyon: opened a branch in London before Paris *Tony Andrews*

Other local banks have also suffered the strong influence of Paris, not least following the nationalisation of many by the socialist government after the election of President François Mitterrand in 1981.

Their subsequent privatisation and changes in management have shifted the nature of lending considerably.

Mr Dominique Nouvellet, managing director of Siparex, a local venture capital company, claims that this centralisation of decision-making among banks and other organisations threatens the effectiveness of financing to business in the region. "The French tradition is that the principal decisions are taken in Paris," he says.

He argues that his own company has the advantage of being far closer to the businesses it backs, and is therefore in a better position to assess them. He adds that the "culture of equity" he can offer is far better suited to analysing the viability of plans than the "culture of credit" in the banks.

While he sees the stock market as no rival because it normally is only an option for companies beyond the size that Siparex would support, Siparex has faced recent growing competition from other risk and venture capital companies – much of it not from domestic but foreign companies such as NatWest, 3i, Baring Brothers and Morgan Stanley. "A veritable Anglo-Saxon invasion," says Mr Nouvellet. "They are more capitalistic than the French."

Equally, the commercial banks provide an important rival form of finance, although Mr Nouvellet argues that this competitive challenge has declined at a time of high interest rates. He says the economic downturn has hit the profitability of banks and may have affected their willingness to lend in the short-term.

December figures show there has been a sharp growth in the volume of deposits

"The recession has had a dramatic effect," he says. "The banks tell you that there is no problem with a credit crunch. But in six months or one year there will be."

Certainly, the December figures from the Banque de France show that while there has been a sharp growth in the volume of deposits in the Rhône-Alps region, there is little corresponding sign of an uptake in the requests for loans.

However, Mr Jean Debaecker, regional head of Crédit Lyonnais, disagrees both on the degree to which lending can be carried out locally and the availability of credit for worthwhile projects.

"Very few of our decisions go to Paris. We are very decentralised," he says. "There is no credit crunch in Lyon and no crisis of liquidity. As we say in French: '*bien faire et laisser dire*'."

TECHNOLOGY

Worth Watching · Vanessa Houlder

Conferences on the Internet

The Internet is already the world's biggest electronic conference. But Emap Computing, part of the UK publishing group, believes its "virtual conference" operation will pioneer the first formal business conferences on the Internet.

The conferences will consist of electronic papers and moderated question-and-answer sessions. They will be sponsored by IT companies and are free for users. The first "virtual conference" will be on networked multimedia, sponsored by Alcatel in April.

Emap Virtual Conferences: UK, tel (0)171 388 2430; fax (0)171 383 0157.

Mitsubishi's smallest smart card

Mitsubishi, the Japanese group, has launched the smallest contactless smart card yet available. The card, the size of a small key fob, measuring 45x45x4.5mm is designed for applications ranging from ticketing to automatic warehouses and production control.

Mitsubishi Electric UK: tel (0)1707 276100; fax (0)1707 278692.

Cell-based assays in drug testing

Pharmaceutical companies are increasingly using cell-based assays as a cheaper, more ethical and more effective alternative to animal experiments.

For years, scientists have been able to use cell-based assays to detect the impact of drugs on concentrations of cyclic AMP, a molecule that plays a part in many activities within the cell. Now scientists at the UK's University of Paisley are trying to develop the technique used to measure cyclic AMP to monitor cyclic GMP, a molecule involved in other cellular responses.

In the latest bulletin of the Biotechnology and Biological Sciences Research Council, they report promising results in the search for an assay for this molecule, which could assist in developing drugs for conditions such as angina and toxic shock.

University of Paisley: UK, tel (0)141 848 3121; fax (0)141 848 3116.

Easy reading with neural networks

Neural networks are complex computer systems that learn to recognise patterns. This ability has been put to use in designing a more flexible optical character recognition system to convert printed text into computer data.

Most OCR systems need clearly legible text in which the font, style and typographical features have been described in advance. But EasyReader, a program designed by Mimetics, a French technology company, is able to recognise text in any document, including low-quality newsprint and creased letters.

It uses a neural network to compare characters against others seen previously. It can automatically analyse all printed or typed documents, whatever the type, character size or style of character. Mimetics says that the system's learning capability allows it to achieve a high degree of reliability.

Mimetics: France, tel 1 40 91 09 90; fax 1 40 91 90 55.

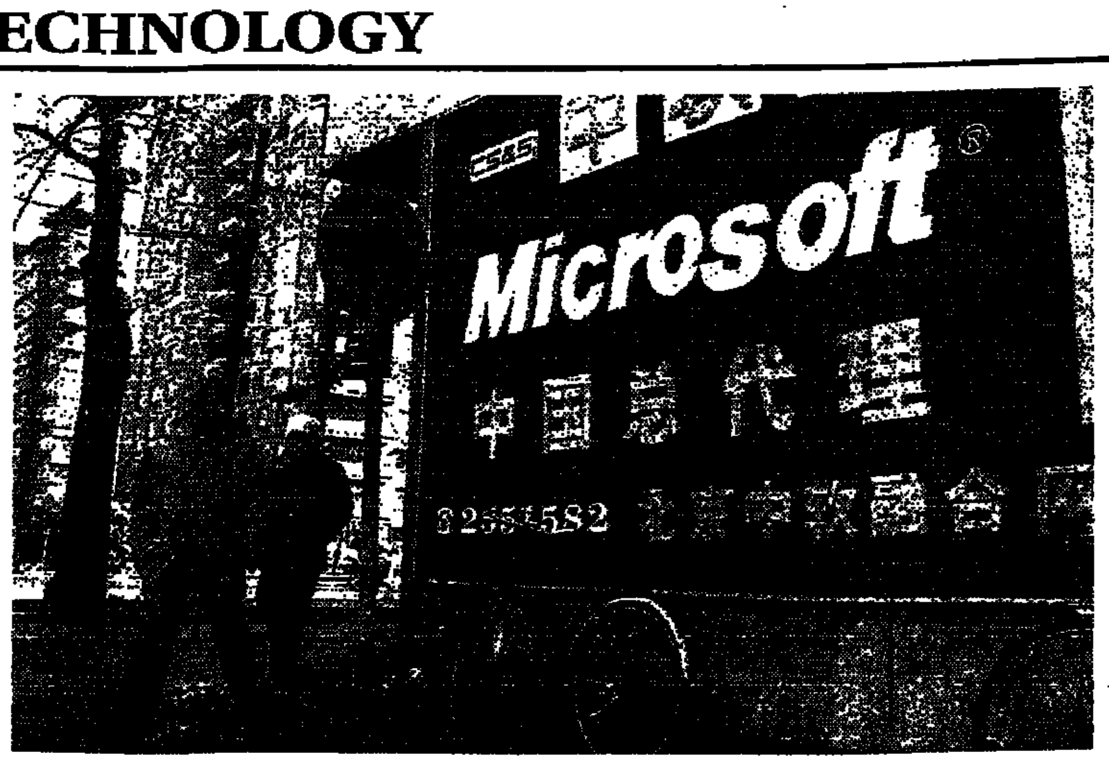
On the track of the car thieves

Finding vehicles stolen by professional car thieves could become easier using technology devised for tracking the location of police, ambulance and bullion vehicles.

Toad, a Cambridge-based vehicle security company, has launched Toad tracking system, which monitors the vehicle's location, direction and speed on a computerised map display. A tracking unit hidden within the car is activated if a thief circumvents the immobiliser system. This alerts the central control bureau, which alerts the police after checking that the vehicle has been stolen.

The system costs £800 plus a yearly airtime charge of £117.

Toad Innovations: UK, tel (0)1223 214 555; fax (0)1223 214844.



China is one of the world's fastest growing computer markets with PC sales expected to have reached 650,000 units last year

EPA

Chinese lesson

Microsoft learned the hard way that IT companies face special problems in China, writes **Tony Walker**

When Duh Jia-Bin, general manager in China for Microsoft, ventures into one of dozens of computer stores in Beijing's Haidian district, the effect on sales staff can be electrifying.

"Unfortunately, most of them have got to know me," says the Taiwanese-born, US-educated Duh, whose bulky frame and cropped, greying hair render him a distinctive figure in the capital's "silicon valley".

"When they see me they try to hide things," he says, referring to pirated copies of Microsoft's Windows programs that are freely on sale throughout China in forged packaging complete with instruction manuals.

For the US software giant, blatant counterfeiting of its products has not been its only problem in China, where there are special challenges for companies dealing in information technology.

Microsoft's early attempts to gain market share ran into difficulties that had as much to do with the company's lack of experience in China as with official worries about possible threats to the local software industry.

The authorities objected to Microsoft's China business being directed from its regional headquarters in Taiwan. The company also neglected one of the most essential elements of doing business in China – cultivating local officials.

The powerful Ministry of Electronic Industries initially withheld endorsement of the modified Windows 3.1 program, specially adapted for Chinese characters, thus discouraging Compaq and AST, the biggest PC suppliers, from incorporating Microsoft software.

Duh admits that Microsoft stumbled initially. "When we came here we behaved as we would in other countries. We produced a localised product and announced it to the public. But we did not perhaps consult the MEI sufficiently.

"Basically, you have to let important people know what sort of business you are doing. Do not give them any surprises or it will hurt your business," he says.

However, things started looking up in 1993 when the company began forming alliances with local software manufacturers. Bill Gates, Microsoft's chairman, visited Beijing in March last year, and was received by President Jiang Zemin.

Microsoft is now recording strong sales growth and last December signed a memorandum of understanding with MEI to co-operate in software development.

While this agreement stopped short of official endorsement of Microsoft Windows as a standard for China, it did represent a big step forward for the company. Windows has emerged as the de facto standard for four out of five desktop machines worldwide. In China, say experts, the figure is close to 100 per cent – but this is difficult to verify because of rampant counterfeiting.

China represents one of the world's fastest growing computer markets. Personal computer sales are expected to have reached 650,000 units last year, up from 450,000 in 1993. Government departments at the central and provincial levels are also computerising, but so far China's sprawling bureaucracy has barely been touched by the computer age.

According to the People's Daily, the Communist party newspaper, only about 20 per cent of Finance Ministry offices use computers. The rest use abacuses.

Apart from official hostility and widespread pirating of its products Microsoft has also been obliged to co-opt local software manufacturers which, independently of Microsoft, had developed their own effective "shell" application to Windows to enable the program to be used with the Chinese script.

Microsoft has formed alliances with about 20 domestic software companies, including Suntendy, Suman and Great Wall, to produce an improved version of Windows 3.1. It has also begun purchasing software applications from these Chinese institutions, including "input methods" for typing Chinese characters, fonts and printer drives.

Duh praises Chinese software engineers, whom he says compare favourably with engineers elsewhere in the world. With an estimated 300,000 computer engineers graduating from Chinese institutions annually there will be some outstanding individuals.

Microsoft intends to tap this well of talent by establishing what Duh describes as a "big research and development base" in China. Among priority projects is the development with local software houses of a universal multilingual Unicode system to facilitate operations in a number of different languages including both simplified and traditional Chinese. This project will take some time.

Microsoft will this month release its Windows 3.2 package which will be more "user friendly" than the 3.1 first adapted for the Chinese market. Windows 3.2 takes account of "local conditions", including difficulties with more complex Chinese ideograms. For example, the name of Zhu Rongji, China's senior vice premier in charge of the economy, is difficult to construct from existing software, and will become easier with Windows 3.2.

But as Microsoft builds its business in China from its present investment of about \$10m (£6.4m), it is certain to continue to be dogged by piracy problems in what is by any standards an extremely raw market. The Business Software Alliance of the US estimates that pirated software cost American business \$351m in lost revenue last year, half of which was attributable to Microsoft. The alliance also estimates that 90 per cent of PC software used in China is pirated.

Duh says Microsoft is working "very aggressively" to combat piracy and a "huge long-term effort" is required, but weak local enforcement makes the task "very complicated".

He notes ruefully that freely available in Chinese cities under the noses of the authorities is the mother of all pirated software packages – a CD-Rom known colloquially as *da bu tie*, or "the almighty medicine", which incorporates no fewer than 80 different software applications, including Lotus, Microsoft and Novell products. These software packages would cost \$8,000 in the west. In China, they are sold for less than \$100.

Plants patents ruling

Environmentalists and the biotechnology industry are both claiming victory after a decision on Tuesday from the European Patent Office in Munich.

The ruling narrows the scope of patents granted to Plant Genetic Systems (PGS), a Belgian company devising ways of making plants genetically resistant to herbicides. PGS still has patent protection on its genetic engineering process and the first generation of plants, but subsequent generations and seeds are not now protected.

PGS said its basic patents had been upheld, and rules designed to protect plant varieties would prevent others profiting from its innovations. "This will not change the way we do business at all," says the company.

But Greenpeace called the decision "a decisive move to defend nature" and "a major blow to the plant biotechnology industry". With less protection for its products, said Greenpeace, PGS would find it more difficult to win licensing deals from other companies.

If Greenpeace is right, the decision could affect far more than just PGS's products. There have been about 800 patents filed on genetically engineered plants, of which 65 per cent include claims to patent the plants themselves.

There is also a growing industry in transgenic animals. With a genetic change, a sheep can secrete a human enzyme in its milk; this can then be turned into a medicine for people who lack the enzyme.

Companies including Genpharm in California and the Netherlands and PPL Therapeutics in the UK have already drawn attention and funding from mainstream drugs companies.

How far the ruling applies should be revealed when it publishes its reasoning in the next few weeks. The main point is whether genetic engineering of plants is a biological process, and therefore unpatentable, or microbiological and, in principle, patentable.

Daniel Green

هكذا من الاصل

هكذا من الاصل

Cinema/Nigel Andrews

Big Bang method

NATURAL BORN KILLERS
Oliver Stone

QUIZ SHOW
Robert Redford

THE RIVER WILD
Curtis Hanson

Oliver Stone's *Natural Born Killers* is a passionately mad, frequently bad, passably interesting, probably unmissable movie.

In this country it has been helped to legendary status by our censor James Ferman, who last November donned judge's wig to deliver his famous postponement sentence. Back then the blindfolded public, unable to view the evidence, heard off-court defence testimony only from the tirelessly interviewed Stone, or from us critics traipsing through newspaper witness boxes.

Now the defendant arrives, and everyone can see why he was discouraged from appearing in court. He would never be persuaded to wear a suit and tie like a proper culprit. He dresses in multi-coloured rags, rambles loudly and uncontrollably, and goes berserk at the touch of a projector button.

As we know from *The Doors*, *JFK* and *Born On The Fourth Of July*, Oliver Stone believes in the Big Bang method of artistic creation. His story here may be familiar runaway-killers-in-love stuff: for Bonnie and Clyde read Mickey (Woody Harrelson) and Mallory (Juliette Lewis), carving their homicidal signature across America's chest. But the style is explosive, sometimes daring, always violent, finally self-destroying.

After the kinetically filmed opening – carnage in a diner, choreographed with the anarchic freedom of a cartoon – Stone's early scenes will have some filmgoers looking at their latest prescription tablets to make sure they are not hallucinogens. Voice-overing their thoughts as they hot-rod down Route 666, Mickey and Mallory are placed liked living cut-outs against trick-projected backdrops: starry, whirling skies, or racing white horses.

The director then goes one better, swapping psychedelia for spooked-out satire, with a flashback sequence styling Mallory's childhood as a TV sitcom. (Canned laughter at the sight of comedian Rodney Dangerfield as the girl's fat, foulmouthed, abusing Dad.) After that anything goes. Scenes are composed as multi-format, rapid-edited kaleidoscopes. Black-and-white blends with colour, film with video, live action with animation. And fantasy backgrounds are matted in *ad lib*. (Through a motel window we see old newsfootage of Stalin and Hitler.)

Wackiest of all is the scene in a log cabin where murderer Mickey does his bit for American genocide, blowing away an old Indian sage. Luminous subtitles are strobed across M and M's chests, as if reflecting the Indian's extra-sensory apprehensions. "Demons" says one; "Too much TV", another.

The murders themselves seem almost a subplot, or afterthought, to the film's visceral convulsions of style. The original script was by Quentin Tarantino, but he ended up disowning Stone's version. He probably disliked the subordination of honest goodhumoured gore (*Pulp Fiction*-style) to audiovisual gimmickry.

So what is Stone up to? He has insisted that the film is an attack on American media exploitation of violence: a point he perversely embodies in the movie's main comic figure, an Australian-accented TV show host played by Robert Downey. This wallaby Whicker takes command in the film's second, disastrous half when Mickey and Mallory's escape from jail is filmed live for Downey's programme "American Maniacs".

With its true agenda now unveiled – an attack by mimicry on television's short-attention-span sensationalisings – Stone's Gatling-gun style, which had seemed interestingly subversive in part one, starts to seem as tiresome and obvious as its target.

Long before Mickey and Mallory clinch their legend with their final killings, we have mentally tuned out from Stone's righteously indignant parody of channel-surfing. A film that began as some sort of vision ends as some sort of television. We sense an artist who has become enmeshed in – nay, who has leapt to embrace – the very crassness and crudity he seeks to discredit.

★

Is television the 20th century Satan? Is cinema celebrating its hundredth birthday with another campaign to put the young pretender out of business – or at least out of moral credibility?

Quiz Show, like *NBK*, spends two hours crying "Get thee behind me, boob tube." Writer Paul Attanasio and director Robert Redford take a real 1950s news story, the unmasking of a big-money TV quiz show where results were rigged and contestants had prior notice of the questions, and they turn it into something like the Fall of Man. (By either accident or social point-making, women in this film, true to 1950s Americana, are confined to wallpaper or kitchenware roles.)

The shows were fixed to help the ratings. So the gauche, ugly working-class Herbie Stempel (John Turturro) had to take a dive so that the young matinee idol from academia Charles Van Doren (Ralph Fiennes), a professor and a poet's son, could delight the couch potatoes of postwar America.

The backstage chicanery and moral horse-trading are wittily, even electrifyingly depicted in the film. "I'm trying to think what Kant would make of it," muses a troubled Turturro. "I don't think he'd have a problem," reply the producers, quick as lightning with the ethical Elastoplast. Later, Ralph Fiennes allows his gleaming college boy – an Ivy League answer to his Amon Goeth in *Schindler's List* – similar moments of Hamlet-like doubt before bribery tramples scruples.

Quiz Show lasts 2¼ hours and as upper-middlebrow entertainment stays the course. It is well acted, suavely paced, wittily scripted. But you start to throw questions at it soon afterwards.

Chief query: why has Redford cast the film to exaggerate, even caricature, the difference between the two men's images? The real Stempel was no gargoyle, the real Van Doren no pin-up. (And it is a contriving nod to "class" to cast two English theatre actors, Fiennes and Paul Scofield, as Van Doren *fils et père*). In addition, the movie makes such melodramatic capital out of the atmosphere of alarmism, distrust and persecution in the corridors of postwar media power that a thinks-bubble saying "*McCarthyism*" will probably issue from every filmgoer's head.

The casting and the push towards political-dramatic hyperbole suggest that some aspects of *Quiz Show* are as "rigged" as the TV show itself. Redford's probable aim is less to improve ratings – the film did only modestly in the US – than to build on his reputation as America's favourite coverboy radical. Given the choice, though, between Oliver Stone's concussive tub-thumping and Redford's suaver skill as a storyteller, I would take the cover boy every time.

No one, thank heaven, watches television or is watched by it in *The River Wild*. Meryl Streep, wife, mother and retired white-water guide, takes her family on a rafting trip in handsomest Oregon. Seeking a few days' quality time, they meet instead a dangerous hoodlum (Kevin Bacon) running from a robbery. He wants to make his getaway by crashing south over foaming rapids, helped by Meryl.

This is an odd decision, since Bacon would seem better positioned for an escape over dry land to Canada. But never mind. This is the movies, and director Curtis Hanson (*The Hand That Rocked The Cradle*) throws so much water at us that we are too enjoyably discomposed to think anyway. Add the excellent Streep – giving her heroine life, soul, feeling and laugh-lines (with a touch of hysteria) – and *The River Wild* is a treat for action addicts of all ages and sexes.

Woody Harrelson and Juliette Lewis in 'Natural Born Killers': its explosive, daring and violent style is finally self-destroying

Obituary

Robert Bolt

Of all the great film writers, Robert Bolt, who died this week aged 70, seemed to understand best that he was writing for the big screen. He was particularly skilled at composing epic screen plays that could encompass large vistas and even larger characters. His was a truly vast imagination, whether it cast itself into the Arabian desert, the frozen steppes of Russia or the rugged Irish coastline.

Born in Sale in 1924, Bolt attended Exeter School and the University of Manchester before taking a job as a public school teacher to support himself while struggling as a playwright. Success came in 1960 with *A Man For All Seasons*, an articulate and highly dramatic account of the struggle between Sir Thomas More and Henry VIII.

The play won numerous prizes, including the coveted New York Drama Critics' Award. It also brought him to the notice of David Lean, for whom Bolt became something of a house writer, penning Lean's two great epics, *Lawrence Of Arabia* (1962) and *Dr Zhivago* (1965). The latter won Bolt an Academy Award, a feat repeated in the following year with his screen adaptation for Fred Zinnemann of *A Man For All Seasons*.

Bolt's collaboration with Lean continued rather less successfully with *Ryan's Daughters* (1970), where the duo's penchant for gargantuan production values swamped both characters and story. Bolt turned director two years later with the disastrous costume epic *Lady Caroline Lamb*, an uninspired showpiece for his wife, Sarah Miles. That same year he was made a CBE.

Bolt's career went into a decade of decline after that. In 1979 he suffered a severe stroke. However, after a near-miraculous recovery he wrote *The Bounty* (1984), which was intended to be a return to collaboration with David Lean but wound up being a rather stolid star vehicle for Mel Gibson, Anthony Hopkins and a host of topless Polynesian girls. This was followed in 1986 by another ambitious epic, *The Mission*, directed by Roland Joffe and starring Robert De Niro and Jeremy Irons.

This tale of colonial conquest in 18th century Brazil was admirable for its intellectual and thematic sweep but seemed rather bloodless in comparison with Bolt's work of two decades earlier.

At the time of his death, Bolt was living in semi-retirement with Sarah Miles, whom he had married for a second time.

Bolt was a writer who was always most comfortable dressing up profoundly serious ideas in sumptuous costumes. Moviegoers are fortunate that he came into maturity at a time when financiers were willing to pour money into sprawling, literate epics. His most memorable characters were men and women of conscience whose crises and affairs were continental in scale. It is hardly surprising that he was unable to maintain his great success in the nervier, anti-heroic era that followed *Lawrence* and *Zhivago*.

Stephen Amidon

Alastair Muir

Felicity Montagu as Aunt Mary in Michael Wynne's promising first play, 'The Knocky'

Theatre/Alastair Macaulay

Ethical look at poverty and crime

We are less than two months into 1995, and already it is a good year for new plays and first plays. *The Knocky*, the new play at the Royal Court's Theatre Upstairs, was first produced last year in the Royal Court/Marks & Spencer Young Writers' Festival Young Writers Festival; and it is the first play of Michael Wynne, who is still in his early 20s. It is not at all radical, but it is remarkably accomplished and (dangerous word, I know) promising.

The Knocky is, on one level, slice-of-life social realism about a family – in particular, kids, junior adults, and parents – struggling to keep heads above the poverty level on a housing estate in Birkenhead. On another level, it tells its tale about petty crime with a fund of tough and tender humour so lively, and a sense of satire so wry, that it is, until the ending, a comedy. (All film critics should learn teenage Lizzie's line "It was some dead-old film, it had that Richard Gere in it.") In these respects, it reminds me of several recent plays – not least Jonathan Harvey's *Beautiful Thing* and *Babies*. But *The Knocky* is also interested in the connection between crime, poverty, and ethics. It creates real characters, whose humour makes them all the more engaging, but it is not hopeful about how they, or people in their situation, will fare.

The main crime in the play is a nocturnal burglary, whereby a video, a savings book, and a new war medal in Norma's house are stolen. This hits Norma hard, the more so since it happens on the day she is preparing a party for her own mother's 70th birthday . Almost alone in the neighbourhood and against her husband's inclinations, Norma has always refused to let stolen or dodgy goods in the house.

But the burglary hits her hard and she is glad to take refuge with some of the vodka her sister Mary has brought for the party. She never discovers all the web of dishonesty around her: never discovers that Mary stole the vodka from work; nor that their mother has been lying about her age ever since she was, for several consecutive years, 23 years old. She eventually discovers, as we knew from the first, that the video-thief was her own elder son Joseph.

"The knocky" is the system of barter whereby stolen goods, like this video, pass hands. Joseph is, like his father and so many others nearby, on the dole. He had, we later find, got into debt because – ironically – he wanted a video of his own, even if only a stolen one; but his debtors subsequently forced him into thieving his mother's video to pay the debt.

Yes, a vicious cycle. Wynne shows several other such cruel ironies: Joseph's sister Lizzie, a vegetarian, having to work at an abattoir because of her need of money. Wynne shows the funny side of Lizzie's situation (for a long time her mother, Aunt Mary, and we think she is doing something much worse); and the role of Mary is a constant source of hilarity. Clad in a leopard-skin bikini, she nervously straddles a frozen bag of sausage-rolls that needs to be thawed, and remarks "Sitting on these reminds me of that guy I went out with from Barclays."

Eileen O'Brien gives a most persuasive performance as Norma, finely managing the fluctuations between earnest and humorous moods; young Stuart Callaghan catches her young son Steven's misery and confusion; and Felicity Montagu has the right *Coronation Street* hard humour as Mary. But several of the other roles (Lizzie, grandmother, Joseph) are miscast. There are unconvincing patches in Wynne's play – some of the switches to reflective conversation do not ring true; and would a 74-year-old woman really dote on Dionne Warwick? – which Brian Stirner's direction makes only more problematic. But to note this play's occasional flaws is thereby to notice its general accomplishment. One wants Wynne to write more, and soon.

At the Royal Court's Theatre Upstairs, London SW1.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● *Royal Concertgebouw Orchestra:* with soprano Sylvia McNair. André Previn conducts Debussy, Roussel and Ravel; 8.15pm; Feb 23, 24
GALLERIES
Rijksmuseum Tel: (020) 673 21 21
● Art of Devotion 1300-1500: winter exhibition focusing on the spiritual function of objects in the medieval period; to Feb 26 (Not Sun)
● UKIYO-E: the finest Japanese prints; to May 28

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Rafael Frühbeck de Burgos, production by Götz Friedrich; 5pm; Feb 23, 26
● Ein Maskenball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30pm; Feb 25 (6pm)
Theater des Westens Tel: (030) 31 90 31 93
● Street Scene: by Kurt Weill. In English with soloists Janice Felty and Dean Anthony. Conducted by James Holme; 7.30pm;

■ BONN

GALLERIES
Kunst-und Ausstellungshalle Tel: (0228) 9171 236
● Wunderkammer of the Occident: a journey through the history of European museums and collections, with more than 2,000 objects that have been collected by Europeans since the Renaissance; to Feb 26 (Not Mon)

■ COLOGNE

OPERA/BALLET
Oper der Stadt Tel: (221) 221 8400
● The Turn of the Screw: music by Britten. Conducted by Steuart Bedford, produced by Michael Hampe. In English with German surtitles; 7.30pm; Mar 1

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra and violinist Midori to play Stravinsky, Sibelius and Tippett's Symphony No. 4; 7.30pm; Feb 23
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra with mezzo-soprano Maria Popescu and tenor Laurence Dale to play Tippett's, "The Mask of Time"; 7.30pm; Feb 26
Festival Hall Tel: (0171) 928 8800
● City of Birmingham Symphony Orchestra: with pianist Paul Crossley and the ladies of the CBSO Chorus. Sir Simon Rattle conducts Stravinsky, Messiaen and Bartók; 7.30pm; Feb 25
● Philharmonia Orchestra: Christoph von Dohnányi conducts Brahms' symphony No. 3 and No. 1; 7.30pm; Feb 27
● Pinchas Zukerman: Phillip Ledger conducts the violinist and the English Chamber Orchestra to play Bruch and Beethoven; 3.15pm; Feb 26
● The London Philharmonic: Zubin Metha conducts Schubert, Berg and Elgar; 7.30pm; Feb 23
● The London Philharmonic: Zubin Metha conducts Wagner and Webern; 7.30pm; Feb 26
GALLERIES
National Gallery Tel: (0171) 839 3321
● Spanish Still Life: from Velázquez to Goya.; to May 21
Roy Miles Gallery Tel: (0171) 495 4747
● Anderson and Low: platinum-palladium prints of images based on classical themes, ranging from sculpture and Renaissance tableaux to geometrical studies; to Feb 28
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Feb 24, 28
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a Mafia boss; 7.30pm; Feb 23; Mar 1
Royal Opera House Tel: (0171) 340 4000
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30pm; Feb 24; Mar 1
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Feb 25 (1pm)
● La Bohéme: by Puccini. Conducted by Simone Young/Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/Amanda Thane as Mimi and Maria McLaughlin/Judith Howarth as Musetta; 7.30pm; Feb 23, 28
THEATRE
Albery Tel: (0171) 876 1115
● Cell Mates: written and directed by Simon Gray and strarring Rik Mayall and Stephen Fry; 8pm; (Not Sun)
Barbican Tel: (0171) 638 8891
● New England: Richard Nelson's new play; 7.15pm; Mar 1
Greenwich Tel: (0181) 858 7755
● The Duchess of Malfi: by John Webster, directed by Phillip Franks. With Juliet Stevenson and Simon Russell Beale; 7.45pm; (Not Sun)
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15pm; Feb 28; Mar 1
Shaftesbury Theatre Tel: (0171) 379 5399
● The Three Lives of Lucie Cabrol: adapted from John Berger by Mark Wheatley and Simon McBurney, who also directs. The Theatre de Complicite presents this violent love story; 7.30pm; to Feb 25 (Not Sun)

■ MADRID

GALLERIES
Mercado Puerta de Toledo Tel: (91) 366 7200
● The Golden Age of Dolls: exhibition marking the "Golden Age" of toy making (1840-1940), and its social impact. Over 800 exhibits; to Feb 24

■ MUNICH

GALLERIES
Kunsthalle der Hypo-Kulturstiftung
● Paris-Belle Epoque: An evocation of the period from 1880 to 1910, with paintings, photographs, glass and furniture; to Feb 26

■ NEW YORK

GALLERIES
Metropolitan
● Early Renaissance Florence: 100 panel paintings and manuscript illuminations by masters of the Gothic style; to Feb 26 (Not Mon)
● Thomas Eakins: exhibition honoring the 150th anniversary of the birth of the artist; to Feb 26
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Der Rosenkavalier: by Strauss. Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Feb 24; Mar 1
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Feb 25 (1.30pm)
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco.; 8pm; Feb 25, 28
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8pm; Feb 23, 27

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Orchestre du Centre National des Arts du Canada: Trevor Pinnock conducts Schubert, Haydn, Bouchard and Mendelssohn; 8.30pm; Feb 27
OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30pm; Feb 23, 25, 28

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● James Galway: flutist with harpsichordist Phillip Moll plays Bach and Handel; 5pm; Feb 25
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Manon: by Massenet/MacMillan. An American Ballet Theatre production; 8pm; Feb 28; Mar 1
THEATRE
Studio Theater Tel: (202) 332 3300
● Conversations with My Father: Herb Gardner's autobiographical work, directed by John Going. Sun 2pm and 7pm otherwise; 8pm; to Feb 26 (Not Mon)

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Financial Times Business Tonight

Banking dilemmas for good Moslems

BOOK REVIEW

When Islamic puritans are asked how they would handle the economy if they were in charge of their country's government, they invariably mention "Islamic economics".

Economic theories associated with the Islamic revival of recent years have yet to be applied in full in any country, but they have generated volumes of academic research, including this book by Syed Nawab Haider Naqvi, director of the Pakistan Institute of Development Economists.

The discipline of "Islamic economics" attempts to transform Moslem nations into successful industrial economies by finding guidance in the pages of the Koran, the holy book of Islam which touches on all facets of life, from education to social behaviour and even economic practice. "The average Moslem takes his beliefs seriously in his day-to-day social and economic conduct. And this is what differentiates a Moslem society from any other society," argues Naqvi.

A growing number of Moslem economists have studied the inability of underdeveloped economies in the Moslem world to emerge from their misery, and concluded that the problem lies in a failure of capitalism or socialism to cure Moslem societies' woes. Moslems, they say, need to develop a home-grown economic system which gives moral values an important role.

There are, however, several difficulties with this conclusion. Conventional economists say economic problems in the Moslem world have little to do with countries not being sufficiently "Islamic"; the real problems are government incompetence, excessive state intervention, corruption and heavy defence spending.

Another objection to Islamic economics is that the Koran offers only sketchy guidelines for economic behaviour in the time of the Prophet Mohammed. It sanctions private property for a Moslem, but says this should be "in proportion to his own and his offspring's needs and their capacity to use it productively".

ISLAM, ECONOMICS, AND SOCIETY
By Syed Nawab Haider Naqvi
Kegan Paul International. £35. 176 pages

The Koran also recognises that the least privileged have a claim on the wealth of the rich. And it warns Moslems not to deal in "riba"; many Moslems interpret this to mean a ban on usury or excessive interest, while others insist that it prohibits all types of interest.

A further difficulty is that the assumptions behind Islamic economics are often contradicted by the realities of modern life: the idea that Moslems will spend moderately and give to the poor in line with the Koran's instructions is not always borne out by experience.

To enforce Islamic ethics would therefore require a degree of coercion by the government, as Naqvi admits. "Taking the ethical requirements into consideration explicitly," he says, "would necessitate a significant degree of state intervention."

Naqvi is at his best when he focuses on the perils of turning a Koranic verse into economic theory, particularly in his study of Pakistan's ill-fated attempt to implement Islamic banking, the only facet of Islamic economics to have been put seriously to the test.

Moslem countries, including Saudi Arabia, have long accepted the definition of "riba" as usury. But this interpretation has increasingly been challenged since the 1970s, as pure "Islamic" banks have sprung up in the Moslem world.

Islamic bankers, insisting that "riba" means any kind of interest, maintain that money should not be produced out of money. In lending funds, good Moslems should not receive a fixed rate of return but share in the risks of an underlying commercial venture, receiving a share of profits or shouldering any losses. It follows from this that interest-based instruments should be replaced with equity-participation schemes.

Naqvi, however, challenges the notion that an Islamic economy should be characterised by risk and uncertainty. "If it is true that the more risky the option the better it is from an ethical point of view, then gambling, betting and other similar activities would not have been declared *haram* [prohibited] in Islam," he says.

The result of abolishing interest and replacing it by profit-sharing, he says, is that small investors who cannot afford to take risks are excluded from financial markets. Pakistan embarked in 1979 on a project to "Islamise" its economy, and interest was abolished (although not for government transactions). But the profit-sharing system has led to a decline in the rate of return, a fall in the growth rate of time deposits and a rise in defaulting borrowers.

This, according to Naqvi, means that the strategy of ensuring a more just distribution of income has failed. "Because of the lower rate of return that it offers, the banking system has been incapacitated as a mobiliser of savings," he says.

What is a devout banker to do? Compromise, says Naqvi, reminding us that even the Prophet compromised – by tolerating slavery, for example, presumably because the economic system at that time relied on it. One solution he suggests is for commercial banks to offer risky profit-sharing schemes as well as deposit accounts which guarantee a minimum rate of return, with the banks shouldering most of the risk and in exchange receiving the lion's share of the profits.

As a last resort, Naqvi sees no problem with decreeing – as in Iran – that the fixed return offered is not interest. Simply to call interest by another name, however, seems a self-defeating exercise. But this is the kind of window-dressing Islamic economists are forced to adopt when they assume that strict adherence to Koranic principles can solve the Moslem world's economic problems.

Roula Khalaf

Daniel Green examines why investors have become wary of biotechnology companies

Sidelined by side-effects

Biotechnology companies, once among the most glamorous of investments, have had an increasingly dismal 12 months. A series of product failures has scared off investors, on whose cash biotechnology companies rely during drug development.

Without new investment, companies are laying off staff and closing or selling laboratories and factories. Even those companies with plenty of cash are reorganising in an effort to avoid the fate of their peers.

The greatest setbacks have been experienced in the US, home to more than 1,300 biotech companies. During 1994, 98 stocks out of 250-plus quoted in the US fell by more than 50 per cent. Only seven rose by more than 50 per cent.

Now the malaise appears to have spread to the UK, which has the world's second biggest biotech industry, with about 100 companies. Last week, British Biotech postponed the development of its biggest drug, a cancer treatment called batimastat, triggering a 16 per cent fall in its share price.

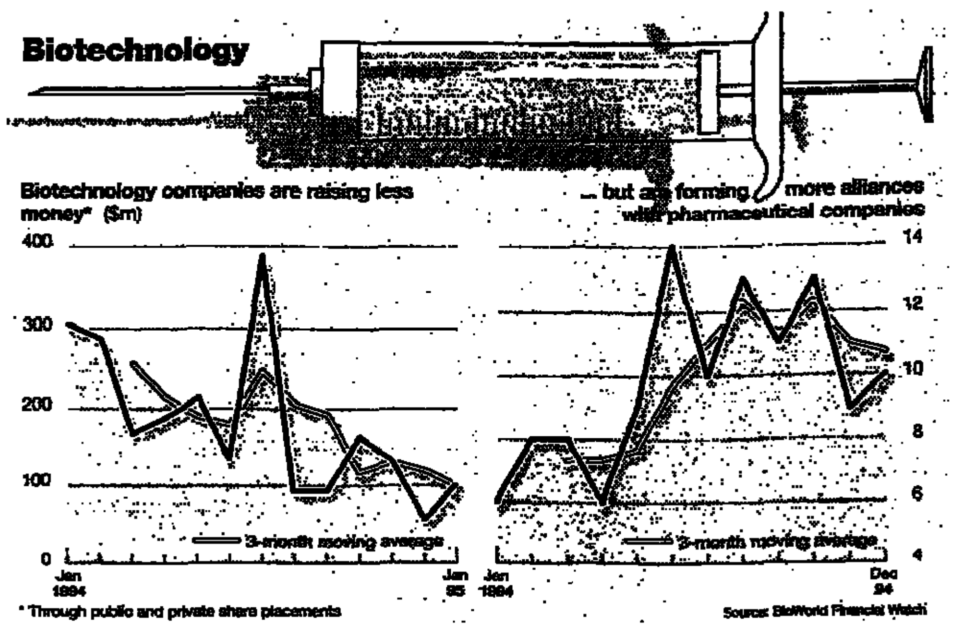
On a global scale, British Biotech's fall was small: in the same week, nine US biotech stocks fell more sharply, according to the Atlanta-based newsletter Bioworld Financial Watch.

Lay-offs have accompanied falling share prices. This week San Diego's Gensia cut staff. Last week Boston's Repligen, reduced its workforce by half to 80: only six months ago, it laid off 65 workers. And in January, three California companies took action: Xoma reduced its workforce by 84 to 145, ESCAgenetics cut staff twice in three weeks, and Telios Pharmaceuticals of San Diego filed for Chapter 11 bankruptcy, three months after raising $14m in a share placing.

In the face of such problems, the market for new biotech share issues has collapsed. In the first seven weeks of 1994, US companies raised $406.8m in public share offerings. In the same period this year, the figure was $43.6m.

The immediate cause of these difficulties has been the failure of several drugs in the late stages of clinical trials. But there is increasing recognition that the underlying cause is a brittle industrial structure that finds it hard to cope with the conflicting demands of science and finance.

Traditional pharmaceutical companies finance research into new drugs from sales of existing products. But biotech companies are usually start-ups, raising capital to turn their biological advances into medicines. With little or no revenue to fund research and development, they must persuade investors to provide as much as $100m per drug over a period of up to 10 years.



* Through public and private share placements
Source: BioWorld Financial Watch

To attract the money, the industry has portrayed itself as a "rational" developer of drugs, which uses biological knowledge to devise treatments. This approach, the argument goes, has a higher chance of success than the traditional pharmaceuticals industry which uses trial and error.

The spectacular successes of a handful of older biotech companies in the late 1980s and early 1990s seemed to justify the claim. California's Amgen, in particular, provided a model investors could understand. Started in 1981 with a $19m private placement, it now has a market capitalisation of $8.8bn.

Amgen made it more or less alone, raising finance periodically as its drugs neared the market. This approach has been followed by other new biotech companies, with funding staged to match a drug's passage through "milestones" – from basic research, through the three phases of clinical trials, submission to regulatory bodies and marketing.

At each milestone, the risk of failure is seen to be less, making the product more valuable and capital easier to raise. Investors can also see milestones as exit routes: those who provided seed and venture capital can cash in their investments when the companies are floated or further shares are issued.

Biotech companies 'do the minimum early development leaving them open to shocks later'

However, this approach encourages companies to push harder towards the next milestone than might be prudent.

"There is a terrible pressure to move too quickly," says the chief executive of one UK biotech company.

According to Mr James Noble, British Biotech's finance director: "The pressure on biotech is much higher than in pharmaceuticals because of the need to secure financing."

Mr Noble denies that his own company's troubles are the result of this, however. Batimastat had entered its last round of trials this year and immediately triggered side-effects in patients. Mr Noble blames this on the "sheer bad luck" that a new manufacturing process appears to have caused a problem.

Others admit that the demands to reach the next milestone mean that biotech companies skimp on the early trials that might show up problems. "They do only the minimum early development and leave themselves vulnerable to shocks at a late stage," says a senior executive at UK drugs company Zeneca.

Large pharmaceuticals companies such as Zeneca try to weed out questionable projects as early as possible. They can afford to spend a little extra early to avoid a high-profile debacle closer to the market.

It is at that late stage of development that many of the recent biotech product failures have occurred.The result has been to make the Amgen model of biotechnology financing simply too risky for investors.

"Wall Street is no longer interested in us," says Mr Mitchell Sayare, chairman and chief executive of Boston's Immunogen. In December, his company cut 100 staff out of 185, reduced management salaries by 20 per cent, sold a manufacturing arm and dropped all but one of its research programmes.

He, and most of his peers, are now looking for finance from outside Wall Street, with the pharmaceuticals sector the principal target. Even cash-rich biotech companies want partners, recognising that financing uncertainty means they are unlikely to make it very big on their own.

"Solid financial ground is a relative term," says Mr Rich Aldrich, chief financial officer at Vertex, a Massachusetts biotech company which had $106m in cash at the end of 1994. Its partners, including Wellcome of the UK and Kissei of Japan, contributed most of the company's $29.3m income last year.

"We will continue to focus on drug discovery and early development. But we won't add significant downstream infrastructure until we have several successful projects over which we can spread that infrastructure," says Mr Aldrich.

The pharmaceuticals companies have been quick to take advantage of the biotech sector's need for cash. The UK's Glaxo, Switzerland's Roche and several US companies have more than 10 biotech sector alliances each.

Such moves offer the pharmaceuticals companies the opportunity to pick up marketing rights to an important new technology for a fraction of a corporate R&D budget. For the biotech companies, they involve diluting their prized independence and giving up the dream of becoming the next Amgen.

But the pain is worth it, says Mr Steven Burrill, of San Francisco merchant bank Burrill and Craves. He argues a combination of corporate restructuring and drug company finance will help biotech companies regain investors' favour.

"Look at the deals between pharmaceuticals and biotech companies and the creativity of chief executive officers in restructuring to accommodate the capital markets," he says.

But even he acknowledges that there will be more restructuring, more cash injections from pharmaceuticals companies and perhaps more corporate failures to come. There will be more pain before biotechnology once again attracts the interest of ordinary investors.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

UK research network a match for German Fraunhofer model

From Prof Gordon M Edge.

Sir, Dr Hans-Jurgen Warnecke is wrong to suggest that the British went about trying to set up a "Fraunhofer"-type research network the wrong way ("Collaboration at the Fraunhofer", February 21). The UK has long had a large and sophisticated range of companies providing a range of services wholly comparable to, if not broader than, Fraunhofer.

The main difference is that the UK companies serve a global market. To quote recently the CEO of a famous German manufacturer: "Why do I have to come all the way to Cambridge to buy what I want – innovation?"

Furthermore, the UK model does something on a large scale which Fraunhofer rarely does – spin out new high technology companies. Businesses like Cambridge Consultants, SIRA, PA Technology, The Technology Partnership and my own company have all created directly or indirectly in excess of 500 companies employing more than 20,000 people in the Cambridge area alone. We also support doctoral students. Let us at least give some credit to a UK business lead which has international recognition with no handouts from the tax man whatever!

Gordon M Edge,
executive chairman,
The Generics Group,
King's Court, Kirkwood Road,
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Not long in fashion

From Mr Ian Campbell.

Sir, Professor Hanke favours a currency board for Mexico (Letters, February 21). Such a board seems to be in fashion largely because the Argentine peso has not plunged, Acapulco style, from its lofty perch. True, a currency board reduces a risk of speculative attack against a currency. But it is no safeguard against a current account deficit that capital markets are reluctant to finance.

A currency board means that any fall in reserves transmits itself directly to the domestic economy by forcing a contraction in the monetary base. This transmission mechanism might be seen as a virtue, forcing an economy to adjust to its external position. But capital inflows can reverse overnight. The real economy cannot adjust so quickly – not, at least, without severe trauma. I doubt that currency boards will be fashionable for long.

Ian Campbell,
The Economist Intelligence Unit,
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Europhiles must offer answers

From Mrs N.W. Hopkin.

Sir, Why do your correspondents (most recently Joe Rogaly) continue to insult Eurosceptics? The most favoured charge is that they are "sentimental", "reactionary", "petulant". As far as I can see, Eurosceptic objections fall under three main heads:

- European membership costs us vast sums of money (such as the figures calculated by Mr Bill Cash, MP), for which we see a very inadequate return.
- The Common Agricultural Policy means that we pay ludicrous sums for our food, much of which goes to enrich inefficiency and fraud.
- Legislation is now not in the hands of an even erratically democratically elected body (the House of Commons) but in those of a number of unelected and unaccountable bureaucrats (the Commissioners), some of whom (Neil Kinnock and Edith Cresson) were unsuccessful politicians in their own countries.

These views may be wrong but they are not sentimental. It is possible that the Europhiles have good answers to all of them, but unless they produce them, "Europe" will continue to be disliked by the majority of the people in this allegedly democratic country.

At university I was taught that insult is no argument.

N.W. Hopkin,
9 Avondale Road,
Mottingham, London, UK

Russian reforms: in a democracy leaders are able to push only so far

From Marshall I. Goldman.

Sir, As appreciative as I am of Chrystia Freeland's reporting from Moscow, I fear her review of my book, *Lost Opportunity: Why Economic Reforms in Russia Have Not Worked*, stands one of my main arguments on its head. She notes that I "emphasise that the creation of an effective market is at least as dependant upon allowing new business free entry into the economy – something Russia has failed to do – as it is upon privatising the inefficient giants of the state sector". More than that, however, I argue that it is the green field creation of new farms and businesses (retailing, wholesaling and manufacturing) that should have been the main priority (page 122). Transforming state industry was worth doing, but it should not have been the preoccupation of the leading reformers.

She also notes that the problem with shock therapy was that the leadership did not stick with it long enough. The difficulty with that, however, was that the political leadership, including both Boris Yeltsin and Yegor Gaidar, came to realise that it was politically untenable to have done so. That is why in mid-1992 Yeltsin brought in Victor Chernomyrdin, Vladimir Shumeiko and Georgi Khizha as deputy prime ministers, and Gaidar brought in Viktor Gerashchenko as the head of the central bank.

As economists, we can draw up any reform plan that we want; but in a democracy, even a fledgling one like Russia in 1992, the leaders can only push so far and, after six months, it became clear that the supreme soviet and the country's factory managers and workers would not tolerate further stringency. Thus, rather than accept the central bank's and government's curbing of credit and the resulting closure of their factories and the firing of their workers, the factory managers created their own form of credit. They did this simply by not paying their bills.

After 70 years of central planning, the Russian economy had developed institutions that were in large part designed to make impossible the reintroduction of a market system. That meant that almost any kind of reform, even a "perfect" one with currency reform and an emphasis on the formation of new farms and businesses, would take at least a decade and probably two or three to implement. The trouble is that, because the reforms were so poorly carried out, the economy developed malignancies such as the mafia and grabitisation (privatisation) that will make future reforms all the more difficult.

Marshall I. Goldman,
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1737 Cambridge Street,
Cambridge, MA 02138,
US

Highly rated

From Mr M.A.M. Meijs.

Sir, Richard Lapper's article on the downgrading of J.P. Morgan's credit rating was headed "The loss of an A shouldn't be the end of the world" (February 16). Not mentioning BNG (Bank Nederlandse Gemeenten, the Dutch municipal finance institution) in his *Creme de la creme* list as one of the few banks in the world with a triple A rating is not the end of the world either. But it is not correct to omit it.

In June 1994, both Moody's and Standard & Poor's assigned triple A ratings to BNG. In September 1994, IBCA, the London-based agency, did the same. BNG is the fourth largest bank in the Netherlands and ranks among the best capitalised credit institutions in the world.

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FINANCIAL TIMES
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Thursday February 23 1995

Ulster's opportunity

The framework document published yesterday by Mr John Major and Mr John Bruton offers the people of Northern Ireland an important opportunity to entrench the present ceasefire. The proposals are not perfect. Reconciling the insecurities of the province's unionists with the aspirations of its nationalists is a task which does not allow for neat solutions. But the two prime ministers have produced a balanced and thoughtful outline of the possible shape of a political settlement. Wisely, they have presented it as the basis for discussion rather than as a blueprint.

The initial response of the unionists – from the shouts of betrayal from the Rev Ian Paisley's Democratic Unionists to the more measured censure of Mr James Molyneaux's Ulster Unionists – is no less disappointing for its predictability. The proposals do present a challenge to some of the traditional unionist assumptions. For some the language in which they are written is uncomfortably green. But the checks and balances insisted upon by Mr Major provide ample safeguard. A triple lock of consent, by parties, people and parliament, ensures the majority cannot be coerced.

The document reinforces also the inescapable obligation on Sinn Féin and the IRA to give permanence to their ceasefire. Mr Gerry Adams and his colleagues have been offered a clear route into democratic politics. There must be no further delay in the decommissioning of IRA weapons.

Rightly, the document takes as its starting point the guiding principles of the Downing Street Declaration. Any political settlement must be grounded in mutual respect for the principles of self-determination, consent and democracy. It must recognise the inviolability of the will of the majority in Northern Ireland while safeguarding the rights of the minority.

Parallel consensus

The two governments are right in judging that an accord is possible only if all the cards are placed on the table at the same time. Agreement between the political parties on a new assembly in Northern Ireland will be possible only if there is a parallel consensus on the shape of cross-border co-operation. Neither will be possible without the umbrella of new intergovernmental arrangements between London and Dublin. It is this linkage – the three-stranded approach – which offers the trade-offs essential to reach a comprehensive settlement.

Power-sharing

There will be much for the different parties to debate in the detail of the plan for a new Ulster assembly. But the basic structure set out by the two governments should command broad support. A proportional electoral system and a committee system modelled on that of a large local authority offer a realistic chance of practical power-sharing.

The biggest concern for the unionists lies in strand two – the proposals for a North-South institution to develop and strengthen cross-border co-operation. The institution would be drawn from members of the new assembly and from the Dublin parliament. It would have executive, consultative or harmonising functions in areas as diverse as agriculture and fisheries, health and social welfare, and the implementation of European Union programmes.

Unionists fear the institution would be a vehicle through which sovereignty, gradually but progressively, would be transferred to Dublin. Their worries are compounded by Mr Major's willingness to enshrine in legislation the principle that Ulster's place in the United Kingdom rests upon the consent of a majority of its people.

The concern is understandable but misplaced. The other side of the North-South coin is the promised revision of the Irish constitution. By amending Articles Two and Three, the Republic would admit for the first time the reality of partition. Its territorial claim to the North would be reduced to the level of an aspiration, subservient to the will of the people of the province. Unionists should not discard lightly such a gain.

Ultimately, a secure place for Northern Ireland in the United Kingdom depends on acceptance on all sides of this central principle of consent. The framework document does not seek to weaken the Union but to accommodate within it Ulster's nationalist minority. It presents an opportunity not a threat.

The road to the superhighway

The devil is in the details, particularly with a project as ambitious – and incomplete – as the information superhighway. Unfortunately, the G7 ministerial conference on the superhighway, beginning tomorrow in Brussels, will tackle too few of the details. As a result, it will do little to improve business competitiveness in the industrial countries.

The "superhighway" is a much-used metaphor which boils down to something very simple: the upgrading of existing telephone networks. Fibre optic cable, which in many countries, such as the UK, is confined mainly to trunk routes, would then reach the door of homes and offices. The capacity of fibre optic cable to carry huge volumes of traffic means that networks would be able to deliver many interactive, information-based services using text, data, graphics and video.

Few except the superhighway's loudest advocates assume that demand for all these services will automatically follow construction. The level of demand is particularly hard to forecast for consumer services such as home shopping or video-on-demand ("libraries" of films and television programmes which can be summoned down the telephone line).

But one important result of the construction of such capacity is likely to be increased competition in telecommunications, bringing cheaper, better communications. For European businesses, which pay some of the world's highest rates for communications, this is essential to maintain international competitiveness. It is a goal which the business leaders and politicians from G7 countries who are attending this weekend's conference cannot afford to overlook.

Money no obstacle

For once, money is not an obstacle in trying to achieve that goal. Brussels or governments of member countries should feel under no obligation to finance the construction of the superhighway. Telecommunications companies are among the world's most cash generative businesses and can well afford to build it themselves.

The main obstacle is, rather, the slow progress being made in opening up markets for the provision of telecommunications services, even though trans-European networks featured prominently in the Maastricht treaty. Mr Jacques Santer, the European Commission president, warned this week that the European Union ran the risk of falling behind its competitors because basic telecommunications services, which are still largely under state control in most member countries, will not be fully liberalised until 1998.

Pace of change

True, the forthcoming privatisation of an increasing number of state-owned telecommunications monopolies is accelerating the pace of change. So is the recent rash of international alliances between companies. But while the principles of liberalisation have been agreed, many details remain unclear. One of the most important outstanding issues is the terms on which potential competitors can gain access to national networks. Nor is it clear how anti-competitive action is to be monitored or deterred. Issues of security and protection of intellectual property across national borders also remain.

One of the thorniest questions is which types of organisation are allowed to invest in the superhighway. The European Commission's policies on cross-media ownership are at present even less developed than its thoughts on the superhighway. The extent to which companies which own the products which will travel on the superhighway – films, databases, computer software – will be allowed to own networks, and vice versa, remains unclear. National policies vary widely, and frequently but unsystematically restrict such investment.

Tomorrow's conference, an advisory meeting which does not aim to arrive at binding resolutions, should nonetheless recognise the need for more work on the detail of promoting competition. Mr Santer was right to identify the danger that European regulation could deter the creation of the superhighway. But ministers should also note a second danger – that such networks will develop faster than European competition policy. The groundwork for ensuring that Europe's future communications are as cheap as they could be needs to be laid now.

Key characters (left to right): Ian Paisley and James Molyneaux may turn out to be losers; John Major and Dick Spring have increased in stature; while Gerry Adams supported an end to violence

Tortuous path to Irish peace

Yesterday's Northern Ireland proposals conceal dilemmas that must be resolved in the months ahead, says John Kampfner

The plan unveiled in Belfast yesterday is not the first attempt to settle the centuries-old Irish problem, but the British and Irish governments believe it is one of the most courageous.

Mr John Major was at pains not to downplay the difficulties ahead. Undue haste could scupper the process and shatter the six-month-old ceasefire in Northern Ireland, the UK prime minister said. Mr John Bruton, the Irish prime minister, said the plan would "challenge the two traditions on this island, but it will do so in an even-handed way".

Everything about the launch of the framework document by Mr Major and Mr Bruton was aimed at reassurance – reassuring the unionists who want to remain British that they have not been sold a blueprint for a united Ireland, and reassuring the nationalists, or rather Sinn Féin, that there will be closer links between north and south.

Both leaders reaffirmed that the document – which proposes a Northern Ireland assembly and organisations to foster cross-border co-operation and includes promises by Ireland to remove its constitutional claim to the north – was for discussion only. The parties would have ample time to absorb and discuss it, and could enter into talks on the basis of the governments' proposals or any of their own.

Underlying the document, however, and irrespective of the emollient statements of Mr Major and Mr Bruton, are dilemmas that both governments understand but are reluctant to elucidate.

Most important of all is the underlying principle that governs British involvement in the province. The Conservative and Unionist party, to give the Tory party its traditional title, has always made clear it will never force unity on Ireland, taking it as an article of faith that the majority of the people of Northern Ireland wish to stay as part of the UK. Mr Major reinforced this point again yesterday. "I am not a persuader for a united Ireland. I am a unionist who wants peace," he said.

That assertion is somewhat hard to reconcile with the government's professed neutrality. The joint declaration made in Downing Street by Mr Major and Mr Albert Reynolds, the then Irish prime minister, in December 1993 stated the British government has "no selfish strategic or economic interest in Northern Ireland". Furthermore, the preamble to yesterday's document refers to the British government's "rigorous impartiality".

To many unionists this smacks of disengagement, the classic British colonial "trick" to use national self-determination as an excuse for extricating the country from an unwanted problem.

The unionists are also aware of, although loath to admit, the essential weakness of their position.

For the past 25 years of "the troubles", the unionists have represented the status quo. Change, large or small, has had to be imposed on them, from the gerrymandering of political representation to the various plans for power sharing in the past – from Sunningdale in 1973, to the 1985 Anglo-Irish agreement, to yesterday's plan.

For any majority group there is rarely any logic in ceding influence or authority, however gradual the process may be.

But the second strand of the framework document appears to demand just such a reduction of influence for the unionists. This is the section that refers to the creation of a north-south body, the source of so much fury when leaked to The Times a month ago. The final version appears to be only slightly modified, granting considerable authority to this institution.

This overshadows the other elements in the plan, according to unionists. Neither the promised removal of the Irish constitutional claim to Northern Ireland nor the creation of a Northern Ireland Assembly compensates for what they see as the first stage in power sharing.

Mr Major's repeated vows that any decisions taken by the north-south body would have to receive full agreement from the Assembly cut little ice with unionists. They point instead to the dynamic remit of the cross-border body and the obligation of assembly members to serve on it.

The prime minister's attempt to qualify its powers were described by Mr Peter Robinson, deputy leader of the Democratic Unionists, the more radical of the two Protestant parties, as "verbal foliage".

Mr Major knows he cannot force any new arrangement on the unionists without an element of consent. Politics will not do that for him. He has to win the emotional argument, and however much he refutes the accusation that he is going over the heads of the unionist MPs to the people, he has to persuade the people of Northern Ireland that the likes of Mr James Molyneaux and the Rev Ian Paisley, the unionists' two veteran leaders, are lagging behind the times.

Initial soundings may not necessarily be representative, but signs of a new mood in Northern Ireland have appeared. It is hard to imagine why any Protestant might feel good about the document, but there seems to be a willingness among a section of the population to give it a try for the sake of peace. Some people studiously withheld judgment until they had read it. Some sounded defeated, others expressed the view that they did not really care what happened. "It's all the same to me," said a young duty supermarket manager. "I have Catholic friends. They're not two-headed. I go down to the south. It's my parents and their friends who are angry."

Inherent in such views is the implicit acknowledgement that one day the island of Ireland will be a single nation. Whether that takes place over a matter of years or generations is a matter for the soothsayers, but yesterday's document, following on from those in 1985 and 1993, does suggest a gravitational pull.

The Dublin government has already had a say in Northern Ireland for some time. The 1985 agreement enshrined it, and there is little prospect of the influence diminishing.

But modern Ireland appears to present fewer threats to Protestants. The current administration in Dublin is presiding over, and is largely the product of, changes in Irish society. The Labour party of Mr Dick Spring, the deputy prime minister who has led his government's team in the peace process, is seen as the main force of modernisation that has forced the once-omnipotent Roman Catholic church on to the defensive.

Mr Major is relying on a combination of common sense, self interest and realism to bring the unionist leaders to talks. He will have been reminded of the mistakes of previous London governments which assumed that the most radical unionists, Mr Paisley being the most notable, were losing support. This time this prime minister might feel a little more confident.

Ministers were heartened by the presentation of proposals by the Ulster Unionists and Democratic Unionists earlier this week. Their content could not be said to be inspiring, and the language was couched in traditional sound and fury, but at least the two parties have not ruled out talks.

The problem for them is that they feel they cannot win. Nobody wants to be seen as destroying the peace process; yet peace notwithstanding, politically there is not much in the documents for ardent unionists. Direct rule did not serve them too badly as long as British governments were to be trusted. At least it was the least bad of many evils.

Ulster Unionists, on whom Mr Major now depends for a working majority in Parliament, could try to bring him down by voting against the government on close votes in coming months. Such an action would, however, be seen as petulant and counter-productive.

Mr Tony Blair, the opposition Labour leader, made clear in the Commons yesterday that a Labour government would pursue the peace process with equal vigour. With a sizeable Labour majority predicted in the next UK election, the unionists would lose what clout they have at Westminster.

For the nationalists, and Sinn Féin in particular, the document is at least as much as they could have expected. Sinn Féin is unlikely to embrace it publicly – it has pledged to withhold a formal reaction until after its annual conference this weekend – but there would be no reason for it to avoid talks.

Mr Major has warned that the way ahead will require patience and forbearance. As he and Mr Bruton pointed out, no document on an issue that had divided a people for so long could, by definition, ever fully satisfy all parties.

The main danger is not that the unionists will refuse to talk, but that the talking will go round in circles. Stalling may be their best tactic.

A few hours after the launch, the free telephone service set up by the government for members of the public to request copies of the document was said to be jammed. Copies distributed at post offices across the province were also in strong demand. It was not a bad start after all the denunciations of the unionist MPs. It provided another small chink of light for Mr Major and Mr Bruton along their tortuous path to peace.

MORE WINNERS THAN LOSERS

For Mr John Major, yesterday's events in Belfast offered a welcome break from the splits in the Conservative party over Europe and a series of poll defeats. Even his detractors agree that his dogged determination to achieve a peaceful settlement in Northern Ireland was a vital factor in pushing the peace process forward.

Mr Major has kept a keen eye on the negotiations over the two years it has taken to draft the framework document and has impressed others involved in the discussions by his command of the detail.

Essential in keeping the prime minister briefed has been Sir Patrick Mayhew, Northern Ireland secretary, who has led the UK side in the inter-governmental negotiations. A former solicitor general and attorney general, Sir Patrick has not always endeared himself to his Irish interlocutors, who see him as pompous. But they acknowledge his negotiating skills and calmness during the Irish government crisis last autumn which helped ensure that no lasting damage arose from the hiatus.

For the Irish, the leading role has been taken by Mr Dick Spring, deputy prime minister and foreign minister. The tall, bespectacled figure of the former rugby international was a constant feature of the talks, since he maintained his role after the change of government in the autumn. He has become a tough negotiator in coalition haggling in Dublin, and reputedly gave little in negotiations with the British. The main power broker in Irish politics, his role in the Northern Ireland peace process will remain crucial.

But at yesterday's proceedings, it was Mr Bruton who did much of the smiling. His name is on the framework document even though it was his predecessor and political opponent, Mr Albert Reynolds, who presided over most of the work in drawing it up.

Mr Spring's key channel of communication north of the border was Mr John Hume, leader of the mainly Catholic SDLP. It was Mr Hume who persuaded the Irish and the British to link their proposals for a Northern Ireland assembly into a broader solution more to the liking of the nationalists. He also convinced Mr Gerry Adams, president of Sinn Féin, to support a cessation of IRA military operations. And in the last few days, he has worked hard to persuade the unionists not to reject the framework document out of hand.

It is the two other grand old figures of the province's politics, Mr James Molyneaux of the Ulster Unionists and the Rev Ian Paisley of the Democratic Unionists, who may turn out the eventual losers. They have rejected the framework document, but if the negotiations get under way, they will be under pressure to join them. The alternative to eating their angry words would be to stand back from the process, leaving their supporters unrepresented.

Mr Molyneaux's continued hold over his party is a matter of constant speculation. He set considerable store by his close relations with the government and Conservative backbenchers and now feels betrayed by them. Mr Molyneaux is unlikely to face a direct challenge at his party's conference next month, but at 74 and with several pretenders vying for his job, he may be persuaded to stand down by the end of the year.

OBSERVER

And so to female power?

■ First Bill Koch the energy billionaire, then Koch the America's Cup winner. Now Koch the management guru.

To the Third Power must surely be the first management primer to come out of yachting's ultimate trophy. Koch's book, published next month, is the story of how a relative newcomer to the sport backed a team to which bookies and sailing experts gave a less than 100-1 chance of winning the 1992 Cup. Confounding the lot of them, America³, in a hectic 18-month campaign, sailed off with the trophy, owner at the helm.

One of the book's themes is the merit of not splitting the 40-strong squad of sailors into a first and second division. Everyone was rotated around the two crews, says Koch – himself a B-team man for much of his college basketball career while he studied for a doctorate at MIT. "There's always resentment coming off the B guys and superiority off the A guys. The consequence is that the B team never develops its skills and you lose the potential of half your team."

For those who thought it was Koch's formidable financial resources that won the day, MIT chairman Paul E. Gray purports to identify a more subtle theme. The book gives "an illustration of how the conjunction of brilliant engineering, advanced technology and modern management methods can achieve outstanding results."

This year sees Koch backing an "all-girls" team. In the highly likely event that he fails to retain the trophy, he has at least ensured good copy for the next book.

Home from home

■ Fresh from issuing eviction orders to the Polish parliament, President Lech Walesa is now feeling quite at home. Except that he's in Brazil – on his first visit there.

Arriving in the capital Brasilia, built 35 years ago as a model of centralised urban planning, Walesa found the architecture stangely familiar. "All the buildings are alike. It's just like Poland – you go to visit a friend and end up in the house of his neighbour."

Down and out

■ Two and a half cheers to Comptoir des Entrepreneurs, the heavily loss-making French property company. Finally getting to grips with the dire financial situation, its directors have decided to lead by example and to throw themselves out onto the street. They are flogging the headquarters Comptoir has occupied in central Paris since 1848.

Jones Lang Wootton, one of the three agents instructed for the sale, described the building as "pure Haussmann" – a reference to the Baron who rebuilt vast swathes of the city in monumental style in the 19th century. He was also quite ruthless in razing what came in his way. Just as Comptoir will need to be to clear its deficit.

The Comptoir subsidiary which owns the building has written down FFr350m against a stated value in the balance sheet of FFr700m, but the agents are giving no extra clues about the price at which it is going on the market. Grand gestures apart, it won't of itself make much of an impression on the several billion that still have to be raised.

Peace work

■ Though the peace accord between Israel and the PLO is running into a brick wall, it could turn out to be a boon for fence-makers.

After the suicide bombing north of Tel Aviv on January 22, further expansion of Palestinian self-rule from Gaza and Jericho into the Israeli-occupied West Bank came to a halt. Prime Minister Yitzhak Rabin said that only the "separation" of Arab and Jew could satisfy Israeli security needs.

So investors stopped sitting on the fence and rushed to buy shares. By the end of the month, shares in Magal Security Systems, a small Israeli manufacturer of electronic fences, had jumped by 18 per cent.

The company's fences are already in place along Israel's northern borders with Lebanon and Syria, and are being put in place around Gaza. Hawks in the Israeli cabinet want a 320km fence erected across the West Bank, at an estimated cost of $230m. Magal shareholders are on to something – though a peace dividend it's not.

Apple pie and?

■ While efforts to end the US baseball strike drag on, Darryl Strawberry, former star of the New York Mets, has been telling the latest issue of Sports Illustrated about the Mets' wild, wild parties.

Strawberry does much to dispel any lingering notion of baseball as a wholesome, God-and-country sport. "If we wouldn't have partied so much we would have won more. We had a team full of drunks ... That was a hard-living team," he reflects.

Strawberry and former Mets team mate Dwight Gooden, who also features in the piece, are presently suspended from major league baseball. Strawberry was suspended for 60 days earlier this month after testing positive for cocaine. Three days later he pleaded guilty to tax evasion for failing to report more than $350,000 earned at sports memorabilia shows in the late 1980s. Gooden, in turn, is suspended for the whole of 1995 after flunking drug tests.

Makes Britain's soccer troubles sound almost Disneyesque.

The Financial Times

100 years ago

Metallism in Germany
Berlin: The German Commercial Congress was opened here today. Dr von Boetticher, Imperial Secretary of State for the Interior, delivered a speech in which he dwelt upon the advantage and necessity of commercial treaties. Congress passed a resolution regretting the adoption by the Reichstag of a motion calling ... for an international conference for the rehabilitation of silver as a circulating medium.

50 years ago

Burma Corp. mines recaptured
The Bawdwin silver and lead mines, property of the Burma Corporation and one of Burma's richest natural resources, were captured almost intact on 21st February by General Deniel Sultan's 50th Chinese Division.

The Bawdwin mines, which yield zinc, copper and other metals besides lead and silver, are estimated to have been capable of producing 80 per cent of Japan's war lead requirements. There is no evidence of the extent to which the Japanese have used them.

[The Burma Corp's mines were evacuated by the 10,000-strong workforce in April 1942]

FINANCIAL TIMES
Thursday February 23 1995

US and Russia meet to resolve Nato tensions

By Bruce Clark in Brussels

US and Russian officials will meet in Washington today in an attempt to ease tensions over Moscow's opposition to Nato's expansion plans to former Communist countries in eastern Europe.

At the centre of the discussions will be a proposed letter from President Bill Clinton to President Boris Yeltsin, which western diplomats believe could provide the last chance for some time of putting relations between Russia and the military alliance back on track.

The letter, which has been the subject of intensive consultations between the 16 Nato allies this week, is intended to parry Russian objections to plans for Nato's expansion eastwards.

Mr Strobe Talbott, the senior US official in charge of relations with Russia, will show a draft of the letter to Mr Georgy Mamedov, deputy Russian foreign minister, in Washington today.

The letter will then be forwarded to Mr Yeltsin if the US is convinced that it will receive a positive response. It will state that Nato expansion is not intended to isolate Russia, or to downgrade its vital place in any European security order. Possible candidates for inclusion in Nato include Poland, Hungary, the Czech republic and Slovakia. The letter is intended to assure Moscow that the enlargement procedure will be transparent, and that Russia will be briefed at every stage.

Nato officials said one aim of the letter was to strengthen the hand of the reformist camp in the Russian leadership as it faces charges from nationalists that the west is taking Moscow for granted. "The letter should provide Yeltsin with an argument against the hardliners, if he wants to use it," said a diplomat.

Carefully negotiated plans for a relationship between Russia and Nato were put on ice in December by Mr Andrei Kozyrev, the Russian foreign minister, who objected to a US-inspired plan for faster expansion of the alliance. Mr Kozyrev told Nato foreign ministers in Brussels that Russia could not co-operate with the alliance until its doubts about enlargement had been resolved.

Western officials are now hoping that Mr Kozyrev will take advantage of a scheduled visit to Paris next month to return to Brussels and restart talks on his country's relationship with Nato.

This relationship would consist of Russian participation in Partnership for Peace – a military co-operation programme open to all former Warsaw Pact members – and an upgraded dialogue on nuclear and non-proliferation issues.

Officials fear that if this opportunity is missed, relations with Nato could become hopelessly embroiled in Russian domestic arguments, expected to intensify ahead of parliamentary elections in December and presidential elections next year.

Russia signed up to PFP last summer, but since then the climate has been overshadowed by the enlargement issue and western concerns over the Russian army's behaviour in Chechnya.

NTL plans UK's first digital terrestrial TV service

By Alan Cane in London

NTL, the privatised transmission arm of the former Independent Broadcasting Authority, is planning to build the UK's first digital terrestrial television network, offering far more channels and improved picture quality at moderate cost.

It claims the network will be a world first.

The company, which provides UK-wide tranmission services for ITV and Channel 4, said yesterday it would invest £3m this year in infrastructure and "tens of millions more" until 1997 when the network is expected to be complete.

It is offering the BBC digital transmission for its programmes at less than £4.8m a service.

The BBC, which last month committed itself in principle to launching its own digital terrestrial television service said it would comment after the results of a feasibility study. This is due to be concluded at the end of March.

Mr Andy Sukawaty, NTL chief executive, said the network would give the UK substantial export potential both for technology manufacturers and programmers.

Digital television broadcasting involves converting sound and video into the language of computers and transmitting it in a compressed form.

Between 12 and 30 extra channels would be available immediately in the UK.

The government would, however, have to approve the new channels and decide a way of allocating ownership.

Digital signals broadcast over NTL's transmitters will be received by viewers' existing aerials and viewed on their existing televisions after decoding by a £300 set-top box. Makers of the set-top box in the UK include Amstrad, Pace and Sony of Japan.

Mr Neil Blackley, media analyst with Goldman Sachs, said DTT had the advantage over cable or satellite of immediate penetration of the home but could not provide interactive services.

Rivals urged to withdraw from race to be WTO chief

By Frances Williams in Geneva

The US said yesterday that the deadlock in the contest for the top job at the World Trade Organisation would only be broken if the three declared candidates withdrew.

Washington wants to see a fourth person chosen for the post of director-general after the apparent failure of international consultations to decide between Mr Carlos Salinas de Gortari, the former Mexican president, Mr Renato Ruggiero, the former Italian trade minister, and Mr Kim Chul-su, a veteran South Korean trade diplomat.

Yesterday's appeal for the three to withdraw came from Mr Booth Gardner, US ambassador to the WTO. His remarks imply Washington now sees no chance of success for its favoured candidate, Mr Salinas.

The US has never been prepared to endorse Mr Ruggiero, the European Union candidate and front-runner, or Mr Kim, who is supported by many Asian countries. Mr Gardner indicated there was no serious discussion about a fourth person.

Results of the latest round of international consultations, published yesterday, show Mr Ruggiero was preferred by 57 countries, well ahead of Mr Kim and Mr Salinas with 29 votes and 28 votes respectively. Two of the 116 member governments expressed no preference.

The figures confirm the regional pattern of support for the candidates has scarcely shifted since late last year. The unprecedented decision to make the results public is designed to [illegible]t WTO member governments into breaking the eight-month stalemate.

Most WTO members still hope the eventual choice, which must be made by consensus, will be one of the declared candidates. However, Mr Gardner said yesterday he thought "the only way to break the deadlock is for all three candidates to withdraw together".

EU officials argue Mr Kim and Mr Salinas should retire in favour of Mr Ruggiero. They believe many countries in Asia and Latin America, freed from the need to display regional solidarity, would willingly endorse Mr Ruggiero.

However, neither Mr Kim nor Mr Salinas has yet shown any sign of bowing out.

Meanwhile the US administration has maintained its official backing for Mr Salinas in spite of the Mexican financial crisis which has tarnished his reputation as an economic reformer.

In the absence of a breakthrough trade officials expect Mr Peter Sutherland, current WTO chief, to be asked to stay on beyond his planned leaving date of March 15.

Neighbours' tiff becomes first WTO case, Page 4

THE LEX COLUMN

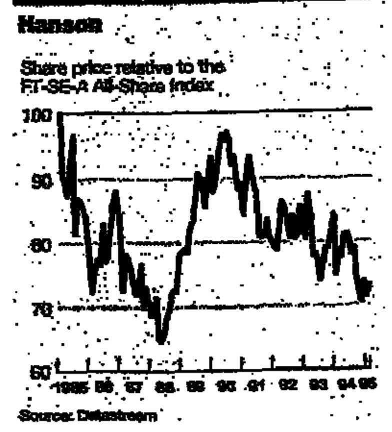
Fed's rate reserve

US interest rates may be at a peak but, then again, they may not. That is the short version of Mr Alan Greenspan's testimony to Congress yesterday. It is not as banal as it sounds. The Federal Reserve's credibility would have been blown if it had even suggested the possibility of a peak before last month's increase in rates and the recent signs of economic slowdown. Even now, the betting must be that further rises are in the pipeline since the economy is still growing unsustainably quickly. The lagged effect of last year's increases may depress growth sufficiently to prevent inflation taking off. But unless the next rounds of economic data support that view, another twist or two of the monetary screw will be needed.

Nevertheless, the market is now looking for rates of 7 per cent by year-end, down from the 8.25 per cent expected two months ago. This change in sentiment is one reason why the dollar is suffering. Expectations of an early rise in German interest rates – something the strike threat by IG Metall has made more likely – is another.

What is puzzling is why the dollar weakness is accompanied by strong US bond and stock markets. The yield gap between US Treasuries and bunds has virtually vanished in recent weeks. The main reason is that investors now increasingly buy the case that the Fed has inflation under control. But if that is so, prospects for the dollar should be good too. Either the bullishness over US bonds or the bearishness on the dollar is misplaced.

FT-SE Eurotrack 200:
1365.1 (-2.3)



Hanson

The only clear message from Hanson's demerger of US Industries (USI) is that it is limbering up for a big deal. In addition to taking £855m of cash through spinning off the new mini-conglomerate, Hanson is also passing on £587m of goodwill. It could now bankroll an acquisition of up to £3bn without over-stretching its balance sheet.

Other than balance sheet building, however, the demerger adds little shareholder value. Of course, it is a clever means of disposing of non-core businesses. Trade sales and flotations would have consumed much time and money. The demerger is structured to avoid tax liabilities. But USI will have to bear additional interest, tax and head office costs. That means shareholders will only benefit if USI gains a higher market valuation as a separate entity than the implied valuation as part of Hanson. Increased investor and management focus on USI may do the trick. But initial valuations could be depressed as many institutions will be unable to hold a non-dividend paying share such as USI.

Hanson's next move, however, is likely to eclipse what happens to USI. The group has, surprisingly, done everything to encourage expectations of a substantial purchase of a counter-cyclical company. This is not necessarily good. Acquisitions of Consolidated Goldfields and Beazer were unfortunately timed, though Hanson has impressed with Quantum. But for those who believe the Hanson magic is still there, an acquisition could prop up a fairly valued share price.

Fairfax

The sight of three media tycoons battling over Fairfax, the Australian newspaper publisher, is exciting about as much frenzy Down Under as the OJ Simpson trial in the US. So yesterday's results are a timely reminder that this is still a business, and a profitable one at that. The 17 per cent increase in first half advertising revenues shows how freely classified volumes flow when the Australian economy is improving. If full-year expectations are now raised a little, the share price – roughly 15 times prospective earnings – could almost be justified on fundamental grounds.

The modest premium to fair value shows how sceptical the market is that Mr Kerry Packer will succeed in acquiring Fairfax. His efforts to lift his stake above the 15 per cent limit set by Australia's rules on cross-media ownership seem doomed. After all, he is not beloved of the current government and elections could be a year away. Canberra is similarly unenthusiastic about Mr Conrad Black's desire to see the foreign media ownership rules that limit his stake to 25 per cent removed.

Perhaps the most interesting hand is held by Mr Rupert Murdoch. He too seems constrained from mounting a bid, but has an advantage in that he is in favour with the government. Even so, his recent purchases of Fairfax shares have been cautious with his stake still below 5 per cent. The current situation cannot persist. But it is also unlikely that any of the tycoons will back down or mount a full bid until after the election.

Astra

Astra, the fastest growing of the world's top drugs groups, has stumbled. The company's shares fell 2 per cent yesterday after it announced full-year figures. The group's popularity has been based on its ability to generate above average growth while other drugs companies stuttered. But now Astra is decelerating. Sales growth slackened from 45 per cent in 1993 to 24 per cent last year; pre-tax profits growth slowed from 53 per cent to 23 per cent; and earnings expansion dropped from 73 per cent to 12 per cent.

The trend is worrying, but it should not cause investors an ulcer. True, sales growth in Germany was hit by a new rival for Losec, its top-selling drug, and there is a real risk that such competition could be replicated in France and the US. But sales were also affected by one-off events: 1993 sales were boosted by unsustainable stocking from wholesalers who were anticipating price rises, and last year's results were adversely affected by currency movements. As for earnings, these were hit by a 7 percentage point increase in the tax charge, following the election of the socialist Swedish government.

While growth in sales and earnings may slow, Astra's performance will be better than for the industry as a whole. The prospective price/earnings multiple of 14 for next year looks less than demanding. And Astra's shares should benefit as investors switch from cyclical companies such as paper and pulp to defensive stocks. Astra remains an attractive investment.

Additional comment on UK short-termism, Page 24

Paris expels alleged spies

Continued from Page 1

frustration with the lack of US response was clearly evident from the wording of the communiqué, which said the government made its views known on the issue "on a number of occasions over many weeks".

Le Monde said the French had directly identified five CIA agents, four with diplomatic status including the head of the agency and his deputy, who had been attempting to recruit members of Mr Balladur's personal staff and other officials from the communications ministry.

The newspaper said Ms Harriman was summoned previously by the interior ministry in late January and early February.

The reports in Le Monde make frequent reference to Mr Charles Pasqua, the interior minister, whose department controls the work of the DST, the French counter-intelligence agency, and who is himself under intense public scrutiny and criticism after allegations of illegal wire-tapping in France.

Demerger primes Hanson

Continued from Page 1

have gearing of around 400 per cent and when the shares start trading in June, it is likely to be valued at between $800m and $1bn.

Hanson will face a capital gains tax bill of around $20m, but Mr Bonham said earnings dilution would be "marginal".

He added: "We fully intend to maintain our cash dividend and continue our progressive payout policy." He said there were some inefficiencies involved in the demerger, because US Industries' borrowings costs would rise as would the total tax bill.

Because of its high debt, US Industries does not intend to pay dividends initially.

Nor does it intend to apply for a UK share listing. But Hanson plans to provide a low cost dealing facility for investors with fewer than 10,000 Hanson shares. These investors will receive fewer than 100 US Industries shares.

Hanson shares rose 6¾p to 243¼p.

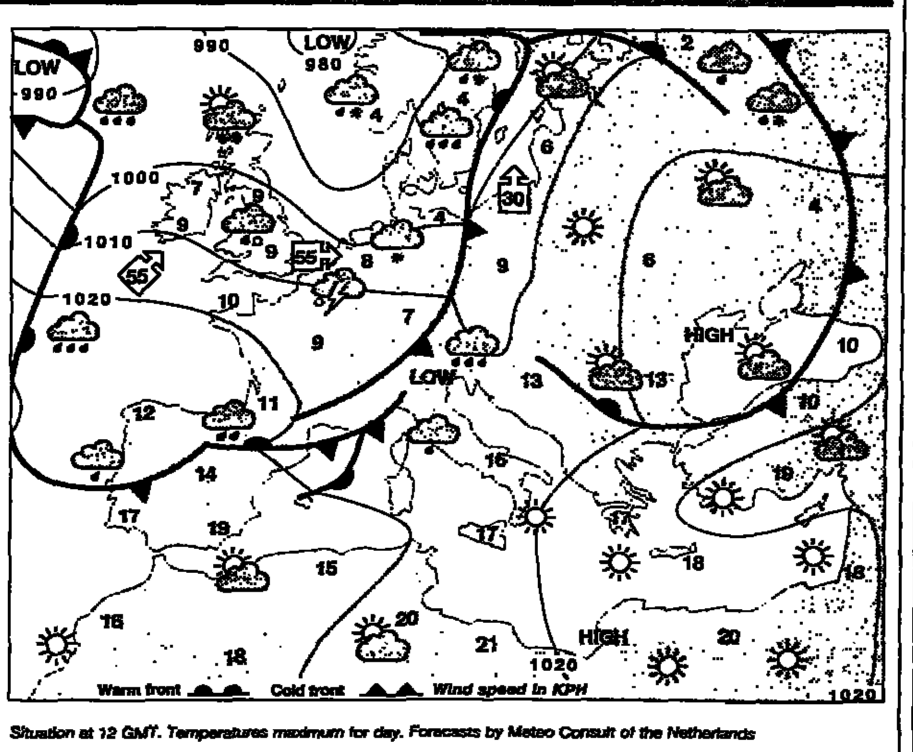
FT WEATHER GUIDE

Europe today

Cold, unstable air will be drawn across the British Isles into the Netherlands and Western France behind a frontal zone. Several showers near the North Sea will be accompanied by hail, thunder and strong gusts. Temperatures will drop to seasonal values. A lot of rain is expected from southern Scandinavia across Germany and Switzerland and into northern Italy. The rain will push east during the afternoon. Ahead of the rain, the Baltic states and central-eastern Europe will be unseasonably warm with ample sunshine. The eastern Mediterranean will also be mainly sunny with temperatures reacing 20C, although there will be cloud near the Black Sea. Showers are expected near Sardinia and northern Algeria.

Five-day forecast

Low pressure areas will take a more southerly course into central and southern Europe until Monday. This could mean heavy snow in the Alps and most of northern and western Europe continuing unsettled with seasonable temperatures. The risk of wintry showers in the North Sea region will increase as temperatures fall.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	fair	10	Caracas	fair	29	Faro	cloudy	18	Madrid	cloudy	14	Rangoon	sun	33
		Celsius	Belfast	shower	7	Cardiff	shower	9	Frankfurt	rain	8	Majorca	fair	16	Reykjavik	fair	0
Abu Dhabi	sun	27	Belgrade	fair	16	Casablanca	sun	18	Geneva	rain	8	Malta	fair	17	Rio	cloudy	31
Accra	fair	32	Berlin	shower	7	Chicago	sleet	5	Gibraltar	fair	18	Manchester	shower	9	Rome	cloudy	15
Algiers	shower	16	Bermuda	sun	20	Cologne	rain	8	Glasgow	shower	8	Manila	cloudy	31	S. Frsco	sun	19
Amsterdam	shower	8	Bogota	fair	20	Dakar	fair	26	Hamburg	rain	6	Melbourne	fair	26	Seoul	sun	7
Athens	fair	18	Bombay	sun	32	Dallas	cloudy	20	Helsinki	shower	4	Mexico City	fair	25	Singapore	shower	31
Atlanta	cloudy	19	Brussels	shower	7	Delhi	fair	23	Hong Kong	rain	17	Miami	sun	25	Stockholm	shower	4
B. Aires	fair	28	Budapest	fair	11	Dubai	sun	27	Honolulu	fair	28	Milan	shower	11	Strasbourg	shower	8
B.ham	shower	10	C.hagen	rain	3	Dublin	cloudy	8	Istanbul	fair	12	Montreal	snow	-1	Sydney	cloudy	24
Bangkok	fair	34	Cairo	fair	19	Dubrovnik	cloudy	15	Jakarta	cloudy	30	Moscow	fair	3	Tangier	fair	18
Barcelona	cloudy	14	Cape Town	sun	27	Edinburgh	shower	6	Jersey	cloudy	7	Munich	rain	5	Tel Aviv	fair	19
									Karachi	sun	28	Nairobi	fair	28	Tokyo	cloudy	11
									Kuwait	fair	21	Naples	cloudy	16	Toronto	snow	0
									L. Angeles	sun	22	Nassau	sun	25	Vancouver	rain	12
									Las Palmas	fair	21	New York	cloudy	10	Venice	cloudy	10
									Lima	cloudy	28	Nice	cloudy	14	Vienna	rain	9
									Lisbon	cloudy	19	Nicosia	sun	17	Warsaw	rain	9
									London	cloudy	10	Oslo	shower	2	Washington	cloudy	14
									Lux.bourg	shower	5	Paris	shower	9	Wellington	fair	18
									Lyon	rain	8	Perth	sun	40	Winnipeg	sun	-6
									Madeira	cloudy	18	Prague	shower	8	Zurich	rain	7

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday February 23 1995

IN BRIEF

Astra up 23% on strong drugs sales

Astra, the Swedish drugs group, lifted pre-tax profits 23 per cent to SKr9.62bn ($1.3bn) in 1994, as surging sales of its main drugs continued to outpace market growth by a wide margin. Page 20

John Fairfax unveils 47.5% rise
John Fairfax, the Australian newspaper publisher, announced a 47.5 per cent increase in profits before tax to A$121.3m (US$89.95m) in the six months to end-December. Page 22

Viacom rides high with $306m profit
Viacom, the US communications group, reported fourth-quarter operating profits of $306m, up from $78m the year before, on sales of $2.8bn ($530m), in a year which saw the purchase of Paramount film studios, the Blockbuster video chain and Macmillan Publishing. Page 23

MAN blames performance on supply gap
MAN, one of Germany's leading mechanical engineering groups, blamed component supply bottlenecks for disappointing first-half earnings and sales. However, it said it was confident of an improvement in the remainder of the year. Page 20

Noranda buys paper unit for $200m
Noranda Forest, the Canadian resources group, is paying Pentair, the US diversified industrial manufacturer, $200m for its paper business, Cross Pointe Paper. Page 23

Stampa to take stake in Le Monde
Stampa, the Turin-based daily newspaper owned by the Fiat industrial group, is to buy a 1.7 per cent stake in Le Monde, France's best-known newspaper, for FFr15m ($2.85m). The investment is a response to Le Monde's call for new international partners. Page 20

ICL takes Bell's half of Sorbus
ICL, the UK-based computer and computer services group, is acquiring the other half of the Sorbus joint venture customer services business from Bell Atlantic Business Systems, part of the US regional telephone group. Page 24

Virgin takes on Athens-London route
Virgin Atlantic has moved to rescue its Athens-London service after its Greek franchise partner filed for bankruptcy. The collapse of Southeast European Airlines, an Athens-based private carrier, leaves Virgin in charge of its first wholly owned operation in Europe. Page 24

Acorn to raise £17.2m in rights issue
Acorn Computer Group, the UK-based computer manufacturer owned by Olivetti of Italy, is to raise £17.2m ($26.66m) in a one-for-three rights issue to finance expansion into the interactive multimedia market. Page 24

Saatchi plays down Mars pull-out
Saatchi & Saatchi, the UK-based advertising group that ousted Mr Maurice Saatchi as chairman, played down the decision by US confectionery group Mars to withdraw its account. Page 24

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
KHD	59.7	+	4.6
Falls			
DLW	378	-	7
GEHE	560	-	17.5
Rheinmetall Prf	207	-	7
Rosenthal	201	-	6
SAP AG	1350	-	47
NEW YORK ($)			
Rises			
Cytec Inds	41⅝	+	2
EMC Corp	17⅝	+	1⅛
Safeguard Sci	23⅝	+	1⅛
Falls			
Ina Investors	18⅜	-	1⅛
Molecular Bio	7⅝	-	1⅛
Newbridge Netwk	36	-	3⅞
LONDON (Pence)			
Rises			
Topnel Life	26	+	9
Usher (Frank)	137	+	18
Falls			
Beauford	30	-	6
Cendregold	48	-	12
Proteus	149	-	11
Saatchi	94½	-	10½
TORONTO (C$)			
Rises			
Camdev Corp	5	+	¼
Echo Bay Mines	13¼	+	⅛
Tort Sun Publ	13½	+	⅛
Falls			
Dundee Bancp B	9⅝	-	⅞
GSW Inc Cl A	17	-	2½
Newbridge Net	50½	-	5½
PARIS (FFr)			
Rises			
Eridania BSy Ci	749	+	63
Vallourec	271.5	+	6.3
Worms Cie	249.2	+	10.9
Falls			
CCF	206	-	6.8
Spie Batignolles	191	-	4.1
Union Immob Fr	410	-	14
TOKYO (Yen)			
Rises			
Murata Manf	3180	+	150
Nichirei	658	+	22
Falls			
Asics Corp	321	-	11
NOK Corp	780	-	30
Nintendo	5150	-	230
Toshiba Mach	561	-	21
HONG KONG (HK$)			
Rises			
HK & S Hotels	8.8	+	0.20
Pearl Oriental	2.275	+	0.25
Wing On	8.15	+	0.25
Falls			
HSBC	78.5	-	2.0
Henderson Land	37.5	-	1.0
Sun Hung Kai	47.7	-	1.3
BANGKOK (Baht)			
Rises			
Datamat	94.75	+	3.0
Serm Suk Inc	134	+	10
Thai Lift	67	+	6
Thai Union	29	+	2.5
Falls			
Grammy	202	-	14
Prakit & FCB	100	-	10

New York and Toronto prices at 12.30.

Saab aircraft and Scania trucks to be split

By Hugh Carnegy in Stockholm

Sweden's Wallenberg empire yesterday announced a dramatic restructuring of Saab-Scania, the vehicle and aerospace group that forms a key part of the family's industrial holdings.

The move to split the company and separate its 50 per cent holding in Saab Automobile opens the way for Investor, the main Wallenberg holding company which took over 100 per cent of Saab-Scania in 1991, to extract more value from the group through further restructuring or, possibly, a partial flotation.

Saab-Scania is to be divided into two independent companies placing its profitable truck operations under the Scania name and grouping its troubled military aircraft, defence systems and civil aircraft operations under the Saab name. Mr Lars Kylberg, the present chief executive, is to leave, though he will retain several board functions.

Both companies will continue to be held directly by Investor, which will also takeover the 50 per cent share in Saab Automobile. Since 1989 General Motors of the US has been owned and managed the other half of the car group.

Saab-Scania said the new organisation would allow "a better concentration of operations, thereby strengthening the competitiveness of each company". The biggest and strongest company will be Scania, with annual sales of SKr26.6bn ($3.6bn). It is the world's fifth largest truck maker and has been the driving force behind last year's strong profits recovery earning operating profits of SKr2.4bn in the first nine months and producing an operating margin of 14 per cent. It will continue to be run by Leif Ostling, as its chief executive.

Saab, with annual sales of SKr4.9bn, will be much weaker. It is to be headed by Mr Bengt Halse, at present a senior executive at Ericsson, the telecommunications group. Its civil aircraft operations, based on the Saab 340 and Saab 2000 commuter turbo-prop airliners, has suffered slumping sales, achieving only 15 sales last year against its break-even level of 50.

Its military aircraft operations are based on the JAS 39 Gripen fighter for which Saab-Scania has been the lead developer. The company has recently initialled an agreement with British Aerospace about export orders.

There has been growing speculation recently about what the Wallenberg's might choose to do with Saab-Scania. When it took the company over Investor said that it required cash flow from Saab-Scania to help manage its debt, but instead Saab-Scania profits slumped, hitting Investor's profits.

With profits flow from other Investor holdings now restored, it is less in need of Saab-Scania's cash flow. Meanwhile Investor's share price is trading at a hefty discount to net asset value, prompting some observers to suggest it might seek to break up Saab-Scania and perhaps float a portion of the truck operations.

Full year results for Investor and Saab-Scania are due tomorrow.

David Wighton explains how the US demerger could pave the way for a huge debt-financed takeover

Hanson clears its plate for a big feast

Ashley Ashwood

A parting of the ways: Derek Bonham and David Clarke

US INDUSTRIES, INC.

Areas of operation
Houseware, recreational & leisure products, footwear, other consumer products, bath products, lighting products & systems, windows & moulding, automotive components, office furniture, other industrial products and property

Pro forma 1993-94 results

Turnover	£1.9bn
Pre-tax profits	£198m

Companies include
Rexair, Farberware, Ertl, Tommy Armour Golf, Jacuzzi, Smith Corona (48%), Beazer Homes USA (80%), Universal Gym Equipment, Georgia Boot, Lehigh Safety Shoe

"CORE" HANSON

Areas of operation
Tobacco, coal, bricks, aggregates, chemicals, propane, forest products, cranes, electrical accessories and vitamins

Companies include
ARC, London Brick, Butterley Brick, Seven Seas, Crabtree Electrical, Imperial Tobacco, Quantum, Peabody, Cavenham Forest Industries, SCM Chemicals, Beazer, Kaiser Cement

Pro forma 1993-94 results

Turnover	£9.3bn
Pre-tax profits	£1.19bn

Over the past few months Hanson has done nothing *to damp speculation* that it was planning a substantial acquisition. Yesterday, by announcing plans to cut its debt by £855m ($1.3bn) from the demerger of 34 US industrial companies, it fanned the flames.

Mr Derek Bonham, chief executive, raised the temperature by talking about "hunger" for another deal and the "mammoth" capacity of its balance sheet.

Some analysts questioned whether it was wise for Hanson to whip up expectations for fear of disappointing the market if a *deal did not come off. But most* viewed it as a sign of the group's confidence. "It suggests there must be something fairly close by," said Mr Paul Beauffere, of brokers James Capel.

However, the prices of suggested targets were hardly set alight. Both Yorkshire Electricity and United Biscuits ended lower and there was little sign of excitement in the water sector.

One leading analyst argued that the move greatly increased Hanson's room for manoeuvre and estimated it could fund a £3bn debt-financed acquisition assuming no goodwill write-offs.

The prospect of an earnings enhancing deal explains why the shares rose 6¾p to 242¼p despite the diluting effect of the merger.

Hanson has frequently looked at demergers but as Mr Bonham observed: "When you demerge companies which have been put together in the most efficient way you introduce inefficiencies." The most obvious inefficiency is the increase in US Industries' borrowings costs.

As Mr Bonham points out, the US *market is used to "slightly* racier balance sheets" than the UK, and US Industries' initial gearing of 400 per cent would not be that unusual.

But it means that the $1.65bn syndicated facility that Bank of America is providing will cost 2 per cent over Libor, considerably more than Hanson will generate in interest income. The banks will be due a large part share of the £44m total fees involved in the demerger.

Because the US Industries businesses will no longer be able to make use of the parent company's tax breaks – notably the depletion allowances generated by Peabody coal – the combined tax bill will also rise.

As a result, analysts forecast a dilution of at least 5 per cent in the combined group's earnings per share in the year to September 1996, though as Mr Bonham points out the forecasts assume that the money it receives will sit in the bank. "We plan something more exciting for it than that."

With the help of advisers N. M. Rothschild, Hanson hopes to avoid other disadvantages of the demerger. By making the new company resident both in the UK and US, Hanson has received UK Inland Revenue approval for a tax-free distribution to UK shareholders. It has also received advice that it will be tax free to US shareholders. Hanson will face a modest capital *gains tax bill of about $20m.*

But some analysts argue that the shares of a conglomerate like US Industries with a highly geared balance sheet would probably command a lower earnings multiple than Hanson. Moreover, there is likely to be heavy selling when the shares start trading, not only from small UK shareholders unhappy with owning US listed shares but also from institutions who cannot hold stocks that do not pay a dividend.

Yet Goldman Sachs and Smith Barney, which will be handling the issue in the US, will be able to point to a very strong management team. The company will be headed by Mr David Clarke, who for the last 22 years has worked *alongside Lord White in building* up the group's US arm Hanson Industries. Under Mr Clarke will be Mr John Raos, who is currently chief operating officer of Hanson Industries, with both tied in for three years.

Mr Bonham said that the USI had to have "the highest calibre" of management to reassure the banks and shareholders.

He said Hanson had to overcome the stigma of Smith Corona, the typewriter manufacturer which it partly demerged in 1989 only to see the share price slump amid legal actions from disgruntled investors.

Lord White said: "It is proof of the strength and depth of our organisation that, after the *demerger, both Hanson and USI* will continue to be managed by experienced and highly regarded executives. USI's companies will emerge from the shadow of their larger counterparts at Hanson Industries, will benefit from top mangement attention and will have direct access to the *US* capital markets." The companies range from well-known names like Jacuzzi and Tommy Armour Golf to Bear Archery, a leading supplier of bows and arrows.

Mr Clarke said that many of the larger companies had good prospects and that he was relaxed with the level of gearing. "In many ways US Industries is similar to how Hanson Industries was in the early 1980s, except many of the companies are better. For half the time over the last 20 years we have had this *level of gearing and it will come* down very quickly through cash flow and disposals."

"At the end of two to three years you will see a far more simplified structure with greatly reduced debt. I am confident that within that time frame we will be back on the acquisition trail."

Mr Clarke said it was a very difficult decision for him to leave Hanson but that US Industries represents: "A tremendous opportunity for management and shareholders." He will be taking a "fairly substantial" salary cut offset by share options.

Mr Clarke's position at Hanson Industries will be filled by Mr William Landuyt, an American who is currently finance director at Hanson plc.

Back in London, Mr Landuyt will be replaced by his deputy Mr Andrew Dougal, who was recruited to Hanson as financial controller by Mr Bonham in 1986.

Mr Bonham said that Mr Dougal was moved to the head office in 1993 with the idea that he would replace Mr Landuyt "when he went on to higher things". Mr Bonham admits this has happened "rather sooner than we expected". For investors, Hanson's next deal cannot happen too soon.

Lex, Page 18

Philips increases dividend by 150% as profit soars

By Ronald van de Krol in Eindhoven

Philips, the Dutch electronics group, more than doubled its net profit before exceptional items in 1994, prompting the company to lift its dividend by 150 per cent.

The strong surge in profit mainly reflected booming demand for semiconductors and a marked turnround in the fortunes of the consumer electronics business. But the improvement came virtually across the board, with the exception of the communication systems sector, which continues to *feel the effect of* sluggish investment in Germany.

Net profit before extraordinary items soared from Fl 856m to Fl 2.05bn ($1.25bn), on sales up 4 per cent at Fl 61bn. The dividend is to be increased to Fl1.25 from Fl 0.50 in 1993, when the annual payout to investors was resumed after a four-year gap.

If extraordinary items are included, net profit rose to Fl 2.13bn from Fl 1.97bn. In 1993, Philips booked net extraordinary gains of Fl 1.11bn after selling a Japanese joint venture, but in 1994 extraordinary gains were far more modest at Fl 76m.

Mr Jan Timmer, president, said the results were slightly better than the company had hoped and showed that Philips was back on course five years after falling into heavy losses. He said the company's Centurion programme of internal reforms was shifting away from restructuring and job losses to a renewed emphasis on *growth and investment.* "Management can now devote its time to other things," he said.

Of the five product areas at Philips, the components and semi-conductors sector put in the best performance, boosting operating results by more than 51 per cent to Fl 1.6bn from Fl 1.06bn.

Consumer electronics swung back into the black with an operating profit of Fl 449m against a loss of Fl 327m the year before. Grundig, Philips' German associate company, pared its losses but remained in the red overall.

Mr Timmer acknowledged that some of its new consumer electronic products, such as digital compact cassette and compact disc-interactive, were slow to take off. He said this was normal, pointing to the very gradual acceptance of the compact disc in the early 1980s.

Philips intends to pursue partnerships and alliances in its efforts to succeed in multi-media *electronics, but he denied* rumours that the company was interested in acquiring Apple, the US computer manufacturer.

Responding to speculation about his possible retirement, Mr Timmer, who turned 62 this week, said he had no plans in the short term to leave the company but added that he "won't stay longer than necessary".

Commerzbank takes direct line

By Andrew Fisher in Frankfurt

Commerzbank plans to invest more than DM100m ($65m) in its new *direct banking service over* the next five years, extending the range of services from securities purchases and money market-based investments to insurance *and other products.*

Comdirect – the first full direct banking operation by a big German bank – began operations last Saturday with 50 staff.

It offers instant access interest-bearing deposits (paying a minimum of 3.8 per cent on sums above DM1,000), a low-cost brokerage service for clients needing no advice, sale of German and *foreign mutual funds, and loans* for securities purchases.

Comdirect provides personal service between 8am and 10pm, with standard queries answered *by recorded voice 24 hours a day.*

The operation, based near Hamburg, should attract about 50,000 new customers in its first year and have a balance sheet total of DM1bn, Mr Erich Coenen, a Commerzbank director, said yesterday. In five years, he expects 250,000 customers and a balance sheet total of DM5bn.

He said the potential for direct banking in Germany was between 5m and 6m people. The most likely customers were price-conscious younger people with an affinity towards modern technology. *In the US and Britain,* direct banking had obtained a market share of 15 per cent in some banking sectors, he noted.

Mr Coenen said Comdirect *should start making profits in* "several years" - certainly before 2000. He noted that First Direct, the first UK direct banking operation owned by Midland Bank, was attracting 10,000 new customers a month.

Mr Coenen said investment at Comdirect, which has capital of DM50m, would mostly go on computer systems and promotion. He expected competition from the bank's bigger rivals, Deutsche Bank and Dresdner Bank, and others, but Commerzbank wanted "to be the trend setter as *early as possible".*

Astra climbs 23% on Losec sales

By Christopher Brown-Humes in Stockholm

Astra, the Swedish drugs group, lifted pre-tax profits 23 per cent to SKr9.62bn ($1.3bn) in 1994, as sales of its main drugs continued to outpace overall market growth by a wide margin.

The company maintained the impressive record that has made it Sweden's top-ranked company by market capitalisation with a volume-driven 24 per cent rise in sales to SKr28bn, against market growth of 4 per cent. However, profits were slightly below forecast, and the A shares fell SKr4 to SKr191 yesterday.

The performance was powered by Losec, the group's flagship anti-ulcer drug and the second-best selling drug worldwide.

There were also strong contributions from Pulmicort, an anti-asthma agent, Plendil, an anti-hypertensive agent, and the betablocker, Seloken.

Astra's Losec sales climbed 40 per cent to SKr9.95bn, while total sales of the drug (including those through licensees) rose 35 per cent to SKr17.2bn.

The drug has about 35-40 per cent of the European market, 20 per cent of the US market, and 5 per cent of the Japanese market.

Mr Hakan Mogren, president, said group sales would continue to grow "considerably faster" than the market in 1995.

However, he said earnings would not keep pace with sales growth.

This is because the group will include 50 per cent of the sales of Astra Merck, its newly formed joint venture with Merck of the US.

There will not be a corresponding rise in earnings because Astra's share of profits in the venture replaces previous licensing income.

In the medium-term the group is confident it can maintain momentum by launching Pulmicort in the Italian, US and Japanese markets over the next two to three years, and by securing a licence for Losec for longer-term treatments.

Rejecting suggestions that Astra might get embroiled in the takeover wave sweeping the pharmaceuticals sector, Mr. Mogren said: "Our business strategy (of growing organically) remains in place."

Last year, group sales rose 18 per cent in local currency terms in Germany, the group's largest market. The UK market increased 36 per cent and the Italian market 76 per cent.

The dividend is being raised to SKr2.25 a share from SKr1.60.

Lex, Page 18

Bottlenecks blamed for weak profits at MAN

By Christopher Parkes in Frankfurt

MAN, one of Germany's leading mechanical engineering groups, yesterday blamed component supply bottlenecks for disappointing first-half earnings and sales. However, it said it was confident of an improvement in the remainder of the year, to the end of June.

The stock price fell sharply in Frankfurt in early trading. By the close, however, it had recovered most of its loss as traders drew comfort from heavy increases in orders for the company's commercial vehicles, printing presses, diesel engines and heavy plant.

First-half net earnings of DM51m ($34.6m) fell far short of the expectations raised late last year when Mr Klaus Götte, group chairman, predicted full-year earnings of up to DM300m, compared with DM160m in the 1993-94.

A shareholders' letter published yesterday promised only "noticeably higher" earnings for the full year, and blamed the modest results on supply bottlenecks and the long delays between orders being booked, completed and paid for.

Group sales rose 5 per cent to DM8bn, though incoming orders climbed 18 per cent to DM10bn, leaving the group with an outstanding order book worth DM17bn at the end of December.

Commenting on the orders, the company said domestic demand had strengthened throughout the review period, with the trucks, printing equipment and trading divisions enjoying particularly good results.

The MAN Roland printing press subsidiary said orders rose 12 per cent to DM1bn, and although sales were 5 per cent lower at the halfway mark, an increase was expected for the full year.

Sales of trucks and buses, the biggest single unit, rose 3 per cent to DM3.25bn, while turnover from diesel engines and other engineering business rose 13 per cent and 15 per cent respectively. The trading division's sales fell 3 per cent to DM1.46bn.

In spite of the market's initial disappointment, yesterday's figures showed further improvements over the first quarter, when sales were only 2 per cent higher.

Swedish fashion retailer proves model performer

Hugh Carnegy charts the success of Hennes & Mauritz stores

When a Swedish business magazine last year rated the performance of the country's quoted companies against the Stockholm stock exchange general index over 10 years, the winner was something of a surprise.

It was not Volvo or Ericsson, Sweden's best-known manufacturers, but Hennes & Mauritz, the clothing retailer which has been quietly building up a European network of stores.

With an annual average increase in its share price of 38 per cent over the period, H&M, which sells fashion for women, men and children, was comfortably ahead of the second-placed Astra, the pharmaceutical star in the Wallenberg family firmament, with 29 per cent. The general index rose 13 per cent a year.

H&M, which announces its 1993-94 results today, was not the best performer in 1994, but it was still in the year's top 10 with a 50 per cent share price rise. In January, it was also the subject of an enthusiastic research report by Goldman Sachs, which declared that H&M had "no physical limits to its growth potential".

This is a company in the notoriously tough business of retailing, whose home markets have been in recession for most of the past four years. Added to this is its strategy of growth through international expansion, a path which retailers have often found to be fraught with problems.

Analysts are expecting H&M, which has also been one of Sweden's most consistently profitable companies over the past decade, to report another big rise in pre-tax profits for last year, which ended on November 30, to between SKr1.4bn to SKr1.9bn ($192m-$260.5m), against SKr1.26bn in 1992-93. Gross sales, including VAT, are expected to be up by about 20 per cent from last year's SKr11.5bn.

However, while the track record is impressive, an aura of expectation is building up around H&M that will be tough to satisfy. Goldman Sachs called H&M "a high-quality company with many years of double-digit growth still to come".

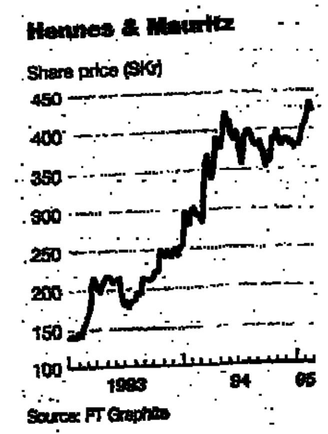
Carrying the burden of these expectations is Mr Stefan Persson, the chief executive whose father Mr Erling Persson founded the company in 1947. Although H&M has been listed on the Stockholm bourse for 20 years, the Persson family remains firmly in control, holding 70 per cent of the voting capital.

Mr Stefan Persson stresses that H&M's development will be based on firm financial foundations, with the emphasis on long-term performance rather than short-term returns. H&M has virtually no debt and a cash horde of some SKr2bn.

"This is one of the very important factors," says Mr Persson. "We are strong financially so we could sustain a couple of bad years and still go on."

H&M also runs small mail-order and down-market retail outlet operations in Sweden. But it is focused on its retail chain, selling "the latest fashions at good value for money".

H&M first moved out of Sweden into Norway and Denmark in the 1960s, but real overseas expansion began in 1976 with the inauguration of an H&M store in London's Brent Cross shopping centre. Since then, the number of stores has grown to more than 360 in nine European countries. The UK side has proved a lossmaker, with problems over some of H&M's store leases.



Source: FT Graphite

Germany has emerged as the biggest market outside Sweden, with 70 stores. It will also be the site of most of the 40 to 50 new stores planned for 1995 and, with a more than 30 per cent share of group turnover, Germany is overtaking Sweden as H&M's biggest single market.

The optimism about growth stems from H&M's still-small market share outside of Scandinavia – it is still less than 1 per cent in Germany, for example – and it has yet to open in big markets such as France.

However, the problem for retailers is not so much one of establishing outlets, but rather making money in a business in which competition is acute, fixed costs are high, margins are tight and judging fashions and locations can be extremely difficult. Continuing to solve that equation is the key to H&M meeting stockmarket expectations.

While working hard at understanding individual markets, H&M serves its network through a highly-centralised, Stockholm-based design, buying and marketing operation. Sustaining this cost-efficient system as the overseas network grows may prove difficult.

But Mr Persson thinks the system is sustainable. "Fashion is becoming more and more international and that is good for us," he says.

Atlas Copco reports 48% improvement

By Christopher Brown-Humes

Atlas Copco, the Swedish engineering group, yesterday announced a SKr1.95bn ($267m) profit for 1994, a 48 per cent improvement on 1993, driven by higher sales volumes and productivity gains.

The performance encouraged the group to lift its dividend to SKr2.30 a share from SKr1.80 as earnings per share climbed to SKr6.51 from SKr4.74.

Sales were up 11 per cent to SKr20.9bn, after increased contributions from the compressor, construction and mining and industrial operations. Orders rose 13 per cent to SKr21.7bn.

The group said demand had strengthened in the second half. Growth in orders was strongest in North and South America, Australia, and the UK. The German market recovered in the second half, helping to offset a weak trend in Japan, Russia and the Middle East.

Operating profit after depreciation rose 54 per cent to SKr1.89bn, with higher profits in the compressor and industrial divisions helping to offset weaker figures in construction and mining.

The group forecast a further improvement in profits in 1995, saying that orders from the manufacturing and mining industries were expected to increase.

Strong finish to year helps Aga rise 27% to SKr1.7bn

By Christopher Brown-Humes

A strong finish to the year has helped Aga, the Swedish industrial gas group, to a 27 per cent increase in profits for 1994, to SKr1.73bn ($233.1m) compared with a year ago. The result is also SKr100m more than its third-quarter forecast.

Mr Marcus Storck, president, said the performance was helped by "definite improvement" in the European economy and much better results from the Brazilian subsidiary in the second half of the year.

He also pointed to favourable market conditions in the US and the Nordic countries.

Final-quarter profit of SKr542m was one of the group's best results, and it enabled it to reach an operating margin of 14.8 per cent. Although the company usually does well in the last three months, due to a higher contribution from its Gullspangs Kraft power unit, profits from its gas operations were 50 per cent up on a year ago at SKr454m.

The group said higher volumes, rather than price or currency factors, drove annual sales up 10 per cent to SKr12.5bn. Operating profits advanced 23 per cent to SKr1.69bn, while net financial costs dropped to SKr212m from SKr231m.

The industrial and medical gas operations, where Aga is one of the world's leaders, lifted income after financial items by 31 per cent to SKr1.5bn, while its 34 per cent share of Gullspangs Kraft profits rose to SKr220m from SKr206m.

The figures have been adjusted to exclude Frigoscandia, the world's leading cold storage chain, which Aga demerged early last year to concentrate on core businesses.

It also recently sold its entire 7.2 per cent stake in Avesta Sheffield, the Anglo-Swedish stainless steel producer, for SKr900m.

Stena up 84% despite accident

By Christopher Brown-Humes

Sweden's Stena Line, the world's biggest ferry operator, yesterday announced a SKr502m ($68.8m) profit for 1994, up 84 per cent from a year earlier.

The figure was in line with forecasts, in spite of a sharp fall in Scandinavian passenger traffic in the final three months, after the sinking of the Baltic car ferry Estonia in September.

Stena estimated operating profits would have been about SKr60m higher without the Estonia factor.

It attributed its improved performance to a SKr117m cut in net financial costs, helped by a stronger balance sheet. It also made SKr46m profit on a ship sale, and there was no repeat of 1993's SKr87m restructuring costs.

Excluding these items, operating profits after depreciation slipped to SKr865m from SKr886m, reflecting difficult conditions in the UK and Scandinavian markets. The UK was hit by a price war before the opening of the Channel tunnel, while Swedish travel was depressed by the weak krona and high savings levels.

Stena's international operations, centred on Stena Sealink, contributed more to the result than its Scandinavian businesses. This reflected a 7 per cent rise in UK passenger numbers, to 10m, and a 6 per cent rise in freight volumes to 604,000 units.

In Scandinavia, passenger numbers fell 4 per cent to 4.8m, after a 15 per cent drop in the final quarter.

EBRD plans Czech business fund

By Vincent Boland in Prague

The European Bank for Reconstruction and Development plans to set up a post-privatisation fund in the Czech Republic to help medium-sized privatised companies adjust to the free market.

The fund will provide "early-stage" equity capital and technical and management help to between 10 and 20 companies privatised through the coupon programme.

The targeted companies have had problems raising fresh capital and lack the management experience to restructure.

It is likely to acquire strategic stakes in the companies and will also seek management control through agreement. If and when the fund succeeds in making the companies stronger, control will be returned to company executives.

The EBRD is looking to get Czech banks and investment privatisation funds (IPFs) involved in its fund. The IPFs are the main shareholders in Czech industry after privatisation, and are owned by millions of Czech individuals.

The new fund is likely to have initial capital of about $30m.

La Stampa to buy 1.7% holding in Le Monde

By Andrew Hill in Milan and Andrew Jack in Paris

La Stampa, the Turin-based daily newspaper owned by the Fiat industrial group, is to buy a 1.7 per cent stake in Le Monde, France's best-known newspaper, for FFr15m ($2.9m).

The investment is a response to Le Monde's call for new international partners.

The French daily is trying to recover from recent losses, blamed on high distribution and paper costs, falling advertising revenues, and the gradual shift in France away from daily newspapers towards magazines and the broadcast media.

For the past two years, Le Monde's partner in Italy has been La Repubblica, part of the De Benedetti business empire. La Repubblica took over the copyright of Le Monde in Italy two years ago, from La Stampa.

Although a joint statement by La Stampa and Le Monde did not refer to a new copyright deal, it said their agreement "renewed and relaunched old collaborative links" and could lead to further joint initiatives.

Le Monde said this week it expected to have achieved its target of FFr220m in new capital by March, and had received sufficient offers to be able to select its partners.

Under the new business plan, it is forecasting a continued loss of between FFr10m and FFr15m for 1995 before breaking even in 1996.

La Stampa has taken a stake in Le Monde Presse, one of three companies formed to back the French paper.

Le Monde Presse will group international backers from the communications sector.

Le Monde was forced to change its legal structure to a more conventional form late last year, as it sought to ensure its independence while seeking capital for investment in new technology.

هكذا من الاهل

Bank of East Asia to pay HK$1.2bn for UCB

By Simon Holberton in Hong Kong

Bank of East Asia, Hong Kong's third-largest listed bank, yesterday said it would pay about HK$1.2bn (US$155m) to take over United Chinese Bank (UCB), a small and unlisted publicly owned bank in the colony.

East Asia said the actual price to be paid would be decided after an audit of UCB's 1994 results.

It said it expected to announce this price in May. East Asia said it would fund the acquisition from internal cash resources.

Analysts said the bank was paying about a 17 per cent premium over net asset value for UCB, which they said represented fair value for the bank.

The acquisition would not, however, add much to East Asia's profits this year and 1996, they said.

Mr David Li, chief executive of East Asia, said UCB had an excellent organisation and would "complement us beautifully". UCB would continue to be run separately.

The purchase of UCB will add 16 branches to East Asia's existing network of 69 branches in Hong Kong.

Banks in Hong Kong have traditionally found it difficult to expand in the area because of the high cost of property.

East Asia said the additional branches would widen the customer base of the bank and produce a stronger foundation from which to service the group's customers.

Analysts also noted that UCB has strong links with Taiwan. Mrs Carmel Wellso, banking analyst at Baring Securities in Hong Kong, said UCB had good relations with Taiwanese businesses, and expansion in Taiwan would serve East Asia's interests in becoming a regional bank.

However, Mrs Wellso said that the acquisition would not add much to East Asia bank's profits or deposit base. She said she estimated UCB would add 1 per cent to 1995 profits and a little more than HK$1.4bn to East Asia's HK$65.5bn deposit base.

At the end of 1993 UCB had total assets of HK$1.7bn and shareholders' funds of HK$292m. It made a net profit of HK$20m in 1993.

Fairfax net flat at midway stage

By Nikki Tait in Sydney

John Fairfax, the Australian newspaper publisher in which three media magnates – Mr Rupert Murdoch, Mr Conrad Black and Mr Kerry Packer – hold significant stakes, yesterday announced a 47.5 per cent increase in profits before tax to A$121.3m (US$89.95m) in the six months to the end of December.

In 1993-94 the company enjoyed a one-off tax benefit of A$28m, leaving after-tax profits at A$82.2m, slightly ahead of the latest period's A$81.2m. There were no abnormal items in either period.

The profits increase came on sales 15.1 per cent higher at A$481m, while operating costs rose 7.6 per cent, to A$328.3m. Interest charges fell from A$19.6m to A$18.2m.

The company described the results as "very pleasing" and said there had been an improvement in all areas of operation.

The Sydney Morning Herald saw a 19 per cent increase in classified advertising volumes, and 13 per cent in display volumes. The Age, in Melbourne, saw improvements of 15 and 16 per cent respectively. The Australian Financial Review, Sun Herald and Sunday Age also generated "very satisfactory improvements" in advertising revenues.

Circulation at the AFR rose 3 per cent, and the Age and Sunday Age also made gains. It was down 2.3 per cent at the SMH, but Fairfax said remedial action was under way.

It added that January and February results indicated that advertising volumes would grow further in the current half, and said that additional cost-savings should also show. Newsprint prices have been fixed for the remainder of the financial year at the same Australian dollar price as last year.

Media ownership rules add to Fairfax confusion, writes **Nikki Tait**

Blurred definition leaves 'control' open to question

Over the next few weeks, the Australian Broadcasting Authority must decide whether Mr Kerry Packer, the businessman who is said to be Australia's richest man, has breached his country's media cross-ownership rules by lifting his stake in John Fairfax, the newspaper publisher, above 15 per cent.

To anyone unfamiliar with Australian mores, this would appear to be a matter of legal interpretation, albeit in the context of some loosely-drafted rules.

The 1992 Broadcasting Services Act states that no one can control a commercial TV licence and a newspaper in the same licence area. Since Mr Packer controls Nine Network, Australia's leading commercial TV network, this would seem to rule out control of Fairfax, publisher of the main "heavyweight" papers in Sydney and Melbourne and the Financial Review, the country's dominant business newspaper.

But move on to "schedule one" of the act, and the definition of "control" is blurred. It says that a 15 per cent stake will normally be viewed as a "control" position because it gives the holder the ability to "exert significant influence over the company". But it also acknowledges that a much higher stake – even one in excess of 50 per cent – might not amount to control under certain circumstances.

In the current situation, Mr Conrad Black, the Canadian publisher, already owns 24.9 per cent of Fairfax's equity – the maximum permitted under foreign media ownership rules – and has boardroom seats.

How much influence another large shareholder would have is debatable. Mr Packer set out his case last week. He thinks that a second large stake, of 24.8 per cent or less, means that Mr Black retains control.

But legal niceties are not really the point. Already, Mr Paul Keating, Australia's prime minister, has leapt into the fray. In a TV appearance on Sunday, he made clear that the government had not been excited by Mr Packer's role in Australia's complex and evolving pay-TV/cable saga. Nor had it been impressed by the businessman's recent appeal to nationalistic sentiments – peddling the notion that Australians should have first right to their country's big media assets.

Kerry Packer: changed his tack over ownership of Fairfax

The stock market quickly interpreted this hostile outburst as a signal that Mr Packer's aspirations to own Fairfax were unlikely to be fulfilled under the current Labor government, whose term could run for another year. Fairfax shares, which topped A$3 at one stage last week, had slipped back to A$2.83 yesterday.

Australia's modest 18m population supports a fairly limited number of media outlets, while politics is something of a national bloodsport. Fairfax gives its owner control of the country's leading business paper and the dominant "serious" dailies in the two big metropolitan markets.

The perceived political value of these assets has been underlined by Mr Keating himself. When the question of where Mr Black's ownership level should be pegged arose in the early 1990s, the Labor prime minister sought a commitment from the Canadian that the papers' coverage would be "balanced". "If there is any notion ... of bias – that is, you barrack for the [opposition] coalition, on the basis of your conservative proclivities in other places – then there's no way you would qualify as the kind of owner we would like," he has recalled telling Mr Black.

As for Mr Packer, whose links with the Australian Labor party once appeared to be well-cultivated, his political star seems to have dimmed of late.

At the weekend Mr Keating implied that the Packer challenge to the media ownership rules was related to the businessman's frustrations on the pay-TV front. This was quickly denied by the Packer camp. Nevertheless, it was a tart reminder that his recent negotiations with Canberra have not been happy.

Mr Packer initially planned to be a significant investor in OptusVision, a consortium built around Optus, Australia's second telecommunications carrier. OptusVision intended – and still intends – to build a cable network which would rival that being developed by the government-owned Telecom group and Mr Rupert Murdoch's News Corporation.

But OptusVision suggested that the two groups be given different regional areas to cable, rather than lay duplicate infrastructures. The government said no, and Mr Packer significantly reduced his potential investment in the consortium shortly afterwards.

The Fairfax situation, then, remains inherently unstable but with no clear catalyst at work. The furore generated by Mr Keating's comments about seeking "balanced" coverage from Mr Black – which prompted a parliamentary inquiry and gave the Canadian publisher an opportunity to say he would now like to lift his own stake in Fairfax to 35 per cent – fizzled out last year. The row stirred by Mr Packer's share purchasing seems to be headed in the same direction.

There is a suggestion that advances in technology, and the growth of telecommunications-based multimedia services, will spur a redrawing of the media cross-ownership rules at some stage. But, while ministers have acknowledged that the current rules will be reviewed, they have downplayed any urgency.

"We've heard arguments from many people that the government should be rushing round, changing laws left, right and centre," Mr Michael Lee, the federal communications minister, remarked yesterday, "But ... I haven't seen a lot of evidence to date that would justify the government walking away from any of the cross-media ownership roles or the foreign ownership rules."

Another suggested catalyst is a potential change to Australia's dual nationality provisions. There is some suggestion that these will be eased so that Australians who have abandoned their citizenship in favour of another country's, can reapply to become Australian citizens as well.

This raises the intriguing possibility that Mr Murdoch, Australian-born but a US citizen since 1985, might cease to fall under the "foreign ownership" rules. News has been buying Fairfax shares recently, but its interest remains under 5 per cent.

For the moment, then, the three members of the ABA are left to deliberate the control situation. If they decide that this has been breached, Mr Packer could be required to sell down, although possibly over a fairly extended period. Alternatively, he could challenge such a ruling in the courts.

But, interviewed in one of his own publications this week, Mr Packer seemed to have changed his own tack a little.

Ownership of Fairfax "doesn't have be done tomorrow or the next day,", he suggested. "This may take 20 years. This may be something my grandchildren do."

NEWS DIGEST

Deutsche Bahn benefits from shake-up

Deutsche Bahn, the German railway which the Federal Republic took over after the merger of the east and west networks, turned in a profit and increased turnover in 1994 following a radical restructuring programme, writes Judy Dempsey in Berlin.

Mr Heinz Dürr, chairman of Deutsche Bahn, said yesterday the workforce would be reduced from 302,000 to 220,000 by the end of 1997.

Preliminary profits after tax, interest payments, and redundancy costs were DM88m ($59.47m). There were no comparative figures for the previous year, but Deutsche Bahn had been recording substantial losses which totalled DM66bn.

Until 1993, the railways were subsidised from the federal budget. In 1994, the government assumed all the losses, became the owner of Deutsche Bahn, and launched the combined railway network with a clean balance sheet and start-up capital of DM11.5bn.

Group turnover rose by 2.2 per cent to DM23.8bn last year, from DM23.2bn in 1993, partly through a more competitive and marketing programme.

Sales for ICE, the intercity network, increased to DM1.3bn from DM1bn in 1993. In all, the number of passengers rose by 6 per cent.

Turnover for cargo showed sustained signs of growth, with a rise of 5.4 per cent in terms of tonnage, although sales revenue was slightly below 1993 levels at DM7bn, a decline of 0.5 per cent.

SNCF losses deepen to FFr8.2bn

France's state railway company, Société Nationale des Chemins de Fer (SNCF), said yesterday its loss increased to FFr8.2bn ($1.59bn) in 1994, from FFr7.71bn a year earlier, Reuter reports from Paris.

The company said the situation could have been worse if it had not taken urgent action, including cost-cutting and a marketing campaign, during the year.

SNCF said revenues were up by 2.1 per cent to FFr54bn "due to a significant increase in freight activities and a notable recovery in passenger traffic" on some lines.

Transport activities returned to a profit of FFr414m against a loss of FFr426m a year earlier, but the running of infrastructure caused a loss of FFr8.6bn against a loss of FFr7.3bn due to modernisation of old track.

United Westburne posts profits of C$25.5m

United Westburne, the North American electrical, plumbing, heating and refrigeration equipment wholesaler controlled by Lyonnaise des Eaux-Dumez, returned to profitability in 1994, writes Robert Gibbens in Montreal.

Westburne restructured and consolidated its branch system, cut overheads, sold non-profitable divisions and benefited from the strengthening US and Canadian economies.

Net profit was C$25.5m (US$18.23m), or 58 cents a share, against a net loss of $29.8m, or 80 cents, in 1993, on sales of $2.3bn, against $2.2bn.

Fourth-quarter profit was $7.7m, or 17 cents, against a loss of $27.5m, or 73 cents, on sales of $567m, against $560m.

Australian insurer stumbles in mid-term

QBE, the Australian general insurer, yesterday reported a fall in net profit to A$30m (US$22.24m) in the six months to the end of December, from A$108.8m in the same period a year earlier, writes Nikki Tait.

However, the figure was struck after taking account of unrealised gains/losses on investments.

The requirement that insurance companies include these in profit calculations has been contentious in Australia. said that on its preferred accounting treatment, profits after tax but before the unrealised gains on investments was up to A$50.9m from A$40.1m.

Bank Bira enjoys strong growth

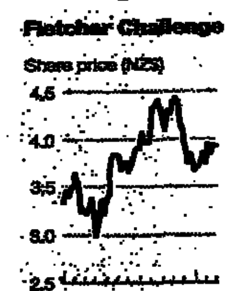
Bank Bira, Indonesia's leading bank in commercial paper lending and domestic loan syndication, said its net profit for the year ending December 1994 rose nearly fourfold on the back of rapid growth in total assets, deposits and loans, writes Manuela Saragosa in Jakarta. The bank is projecting net profit will grow by a further 40 per cent in 1995.

Bank Bira, which was listed on the Jakarta Stock Exchange in an initial public offering last July, said net profit in 1994 totalled Rp18bn ($8.5m) compared with Rp3.6bn the year before.

Funds raised at the IPO were used to increase assets and loans. The bank's assets stood at Rp1,000bn in December 1994 compared with Rp580bn a year earlier while loans grew by 118 per cent to Rp894bn.

Fee-based income, generated mainly from the commercial paper and on-shore loan syndication market, accounted for about 30 per cent of the bank's gross income.

Fletcher Challenge sees strong advance



Fletcher Challenge, the New Zealand based forestry and energy group, expects significantly higher earnings from pulp and paper over the next six months with solid international economic growth underpinning its building and gas activities, the chairman, Sir Ronald Trotter, said yesterday, writes Terry Hall in Wellington. The parent company reported consolidated net earnings of NZ$176m (US$111.77m) for the six months to December 31, compared with NZ$142m in the corresponding period of 1993 if abnormals are excluded.

In the December 1993 half-year, net earnings were NZ$492m, including abnormal items of NZ$350m (none in the latest period) due to the sale of the Wrightson group of companies and Fletcher Challenge's interests in the Methanex Corporation. Earnings before tax and abnormal items were up 40 per cent to NZ$379m in the latest period. The share price responded by closing 3 cents higher at NZ$3.93.

Hot summer lifts Japanese brewers

Two more Japanese brewers have reported the benefits of an exceptionally warm summer, although analysts are warning that the industry faces a tougher season this year due to increased competition both from domestic and foreign brewers, our Financial Staff writes.

Asahi Breweries and Sapporo Breweries yesterday reported rises of 46 per cent and 30 per cent to Y21.43bn ($219m) and Y14.39bn respectively, in their current profits for 1994. These brewers, together with Kirin Brewery, which on Tuesday reported higher profits, have 93 per cent of the domestic beer market.

Hees ahead at C$112m

Hees International, a senior holding company within the Toronto Bronfman interests, posted 1994 net profit of C$112m (US$80m), or C$1.10 a share, up from C$67m, or 55 cents, in 1993, on revenues of C$499m against C$378m, writes Robert Gibbens. Hees said the gain was due to improvement in its property holdings, especially Carena Developments, and stable results from Brascan and Trilon Financial.

Abnormals depress Normandy Poseidon

By Nikki Tait

Normandy Poseidon, the Australian mining group built up by Mr Robert Champion de Crespigny, yesterday announced a A$137.3m (US$101.8m) loss after tax and abnormals, for the six months to end-December. This compares with a A$33.5m profit a year ago.

However, the downturn principally reflected the A$159.9m abnormal items, net of tax and outside interests. This, in turn, stemmed largely from the company's decision to adopt more conservative accounting policies with regard to the valuation of some of the mining assets held by subsidiaries.

Normandy notified the market about the impact of this change late last month, and, in the event, the charge arising from the accounting changes totals A$156.2m.

Operating profit before abnormal items but after tax was A$22.6m, down from A$25.2m a year earlier.

● Poseidon Gold, in which Normandy holds a 50.1 per cent stake, made a loss after tax and abnormals of A$283.4m, compared with a A$36.5m profit last time. Interim dividends were maintained at both companies - at 2.5 cents a share at Normandy and 5 cents a share at Poseidon Gold.

Higher prices return Pasminco to the black

By Nikki Tait

Higher metal prices helped Pasminco, the Australian zinc producer, to move into the black during the six months to the end of December, recording profits after tax but before abnormal items of A$6.5m (US$4.82m).

This compared with a loss of A$11.2m in the same period a year ago, and was scored on revenues of A$543.1m against A$614.5m. In the first half of 1993-94, Pasminco took an A$8.7m abnormal charge, leaving the bottom-line loss at A$19.9m.

The company said that during the period the strength of the Australian dollar meant that the zinc price – in local currency terms – increased by about 1 per cent, but the lead price was 38 per cent higher. The impact of these higher prices pushed up pre-tax earnings by A$21m, although lower production and sales volumes, coupled with a slight increase in operating costs, partly offset this effect, erasing around A$19m from pre-tax earnings.

The company's borrowing had eased by A$15.1m by end-1994, to stand at A$257.7m, while interest charges sliced A$7.1m off first-half earnings, compared with A$10.9m a year ago.

Siam Cement results show 53% advance

By William Barnes in Bangkok

Siam Cement, Thailand's biggest industrial conglomerate, yesterday reported an increase of almost 53 per cent in consolidated net profits for 1994, up to Bt5.39bn ($216m) from Bt3.53bn in 1993.

The group's president, Mr Chumpol Nalamlieng, said 1994 was "a relatively good year – we expect this year to be just as good, if not better". He described cement manufacturing – which contributes between 25 and 30 per cent of sales and about 40 per cent of profits – as "very steady".

The results were roughly in line with analysts' expectations. One analyst said the result showed Siam Cement had succeeded in becoming a highly diversified group without losing its long-term momentum.

The executive vice-president in charge of cement operations at Siam Cement, Mr Tawee Butsuntorn, said demand was expected to climb by 15 per cent in 1995 to 33.4m tonnes – or roughly 1m tonnes less than total capacity in Thailand.

Mr Tawee said Siam Cement was considering investment in more capacity as the long-term outlook remained so buoyant. Capacity is currently 16.4m tonnes annually.

مكبرا من الاصل

Acquisitions boost Viacom operating profits to $306m

By Tony Jackson in New York

Viacom, the acquisitive and fast-growing US communications group, reported fourth-quarter operating profits of $306m, up from $78m the year before, on sales of $2.8bn compared with $530m.

However, after a year which saw the purchase of Paramount film studios, the Blockbuster video chain and Macmillan Publishing, there was a net loss for the quarter of $65m or 18 cents, against a profit of $14m, or 11 cents, a year earlier.

Earnings per share for the full year were 7 cents, against $1.31.

Mr Sumner Redstone, Viacom's chairman, said the results reflected the company's "startling leap forward to become the pre-eminent entertainment force in the world". The company was starting a "dynamic new cycle of growth", he said.

Net earnings of $15m for the year included a pre-tax gain of $267m on the sale of Viacom's one-third interest in Lifetime Television, and charges of $332m in the first quarter on the integration of Paramount. The company said its $1.1bn sale of Madison Square Garden to ITT, announced last year, was expected to close within a week.

Viacom last month agreed to sell for $2.3bn its cable TV interests to a partnership whose largest shareholder is Tele-Communications Inc, one of the leading cable operators in the US.

Two days ago, however, the deal was thrown into doubt by a Congressional vote to repeal tax breaks designed to promote minorities in broadcasting.

The general partner in the deal is a small company called Mitgo, headed by Mr Frank Washington, a black entrepreneur.

The structure is designed to allow Viacom to defer taxes estimated at more than $600m.

Viacom confirmed yesterday that the deal was subject to the tax breaks being allowed.

Air Canada stages strong turnround

By Robert Gibbens in Montreal

Air Canada, helped by a better than expected fourth quarter, posted 1994 net income of C$129m (US$92.2m), or C$1.09 a share – its first annual profit since 1989. Operating revenues rose 12 per cent to C$4bn.

The company achieved a C$455m turnround from 1993, when there was a net loss of C$326m, or C$4.23 a share, after restructuring charges. The 1994 results included a C$79m special gain on computer services operations. Operating profit doubled to C$244m.

The fourth quarter, normally the slowest, showed a net profit of C$4m, an improvement of C$94m.

Mr Hollis Harris, chairman, said unit costs dipped 6 per cent in 1994 and the airline was competitive with other North American carriers. Capacity has reached a peak with higher fleet utilisation, but the payroll is down 20 per cent from 1989. Operating expenses were up 7 per cent.

Air Canada has increased its Asian services and the fleet will rise from 107 aircraft to 123 during 1995. Domestic market share was 56.5 per cent, up 1 per cent on 1993 and up 5 per cent on 1989. Passenger yield gained 2 per cent in 1994.

Air Canada has expanded its international cargo routes and volume growth is fastest on Asian routes.

Good half for Pioneer

By Nikki Tait in Sydney

Pioneer, the Australian building materials group which is trying gain regulatory approval to merge its Ampol petroleum products business with that of Caltex Australia, yesterday announced an after-tax profit of A$139.7m (US$101m) in the six months to end-December.

This compared with A$78.1m for the same period a year ago. There were no abnormal items in either period.

Sales rose to A$2.9bn from A$2.8bn, and basic earnings per share increased from 8.4 cents to 15.1 cents.

On a divisional basis, at the pre-interest level, Pioneer said that its building materials interests made A$194.7m, compared with A$120m previously. The petroleum division contributed A$72.5m, against A$63.7m last time.

However, Pioneer warned that earnings in the second half were likely to be lower than in the first half.

"This reflects the northern hemisphere winter, and the slower rate of growth during this year than was experienced last year in most of the countries in which Pioneer operates," said Mr John Schuber, managing director.

Anheuser set to invest in Brazilian brewer

By Angus Foster in São Paulo

Anheuser-Busch, the biggest US brewer and owner of the Budweiser brand, was yesterday expected to announce its entry into the Brazilian beer market, the world's fifth largest, with a partnership with Antarctica, one of the country's two main brewers.

Anheuser is expected to take a significant minority stake in Antarctica, as well as to sign marketing and production agreements. The two companies have been in talks for several months, and last year Antarctica started distributing imported Budweiser in Brazil.

Antarctica and its chief rival Brahma each hold slightly more than 30 per cent of the Brazilian beer market, which has grown rapidly since inflation fell last year with the introduction of a new currency. Brahma also brews Skol in Brazil, making it the world's sixth-largest brewer.

Antarctica, which is thought to have increased sales to about $1.8bn last year, has a significant investment programme under way and sees the link with Anheuser as a way to raise capital and bolster its image in Brazil.

Analysts said Anheuser's entry into the Brazilian market was likely to accelerate the growth of smaller brand sales. Antarctica and Brahma have seen their market share fall steadily in the last five years as new entrants and new brands have appeared. Brazil's government has been opening the economy to foreign competition since 1990, and imports and foreign consumer goods are increasingly popular.

Newbridge Networks has record quarter

By Robert Gibbens

Newbridge Networks, the Ottawa-based maker of specialised communications equipment, continued its series of quarterly gains in sales and earnings.

For the third quarter ended February 4, sales were a peak C$210m (US$150m), up 45 per cent from C$145m a year earlier.

Net profit was C$49.4m, or 61 cents a share, up from C$41.4m, or 52 cents.

Nine-month net profit was C$136.6m, or C$1.68 a share, against C$110.5m, or C$1.39 a year earlier.

Sales were C$573m against C$388m.

Newbridge, which makes devices that boost the capacity of telephone lines, said sales continued to be strong for all product lines in the latest quarter.

A buzzing business manoeuvre by RWE

The German utility is expanding in the telecoms market, writes Michael Lindemann

RWE, Germany's biggest electricity generator, may sometimes be accused of being ponderous, but when it moves one cannot help but notice it.

The group, which is Germany's fifth-largest company, made such a move last week when it announced it was hooking up its electricity grid with those of six smaller electricity generators and distributors to create a telecommunications network.

It was the clearest picture so far of the kind of telephone network that might be competing with Deutsche Telekom, the state-owned carrier, after monopolies are broken up in Germany and most of Europe on January 1 1998.

The network – similar to one being set up by electricity companies in the UK, Europe's most liberalised telecoms market – covers about two-thirds of Germany, including every big city except Munich and Frankfurt.

The German telecoms market, Europe's biggest, is expected to see annual turnover jump from about DM50bn ($33.3bn) at present to DM100bn in five years, a fact which has not gone unnoticed by German industry.

Three of the country's biggest companies have already announced alliances with leading international operators, the latest being the partnership between Veba, another energy-based conglomerate, and Cable & Wireless, the UK-based international carrier.

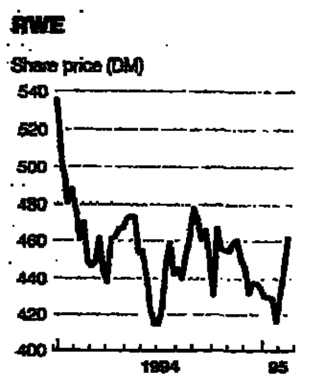
RWE is still holding its cards close to its chest, but some analysts believe it will team with AT&T, the US long-distance carrier, which has yet to announce its plans for the German market.

The Essen-based company already has a stake in Communications Network International (CNI), a company set up last year with Deutsche Bank, Germany's biggest bank, and the mobile phone operator Mannesmann.

It provides voice and data services across corporate networks to a closed user group made up of long-standing business clients.

CNI, which includes the international phone and data network operated by Deutsche Bank, hopes to pick up other big clients before it begins operations later this year.

This is where AT&T could fit in. Bringing the US group on board would provide CNI with the international know-how to develop the range of new services it needs to compete with Deutsche Telekom.



Source: FT Graphics

RWE has 4,300km of the high-quality fibre-optic cable for voice services with which, it says, it could cover about 40 per cent of long-distance traffic in Germany.

By the end of this year it hopes to have 5,500km, according to Mr Volker Hoffmann, chief executive of RWE Unitel, the group's telecommunications arm.

Mr Hoffmann plans to link the RWE-led network in Germany with grids operated by other European electricity distributors.

But RWE is not alone in wanting to build a network to compete with Deutsche Telekom.

Within the next two months, Veba, which owns Germany's second-biggest electricity grid, hopes to reveal its plans to build a telecoms network along the existing communications network operated by Deutsche Bahn, the state-owned railway. That network reaches into the heart of every main city.

Viag, the third-biggest German utility, is expanding its fibre-optic network in Bavaria and is working on plans which could give it a nationwide reach.

But the advantages of controlling a telecoms network after 1998 are still unclear, most analysts say. Setting one up will be very expensive.

Analysts also point out that three competing networks would put pressure on margins and probably result in overcapacity.

Prices are likely to fall as the European telecoms market becomes more competitive and pressure mounts on German operators, such as Deutsche Telekom, to keep tariffs as low as those offered elsewhere in the EU.

"Having access to infrastructure at the onset of liberalisation is absolutely no guarantee of success," according to Mr Laurence Heyworth, a telecoms analyst at Robert Fleming Securities in London.

Another question which remains largely unanswered, analysts say, is how companies hoping to compete with Deutsche Telekom will develop the marketing expertise needed to sell phone services to large numbers of corporate clients and possibly, later, to private users.

RWE says it is already honing its skills with Talkline, a service provider which sells time on mobile phone networks.

Talkline is expected to have sales of DM450m this year in Germany, Holland, France and Austria. The service will soon be available elsewhere in Europe.

In Germany, Mr Hoffmann will use RWE's network of 300 energy advice centres to give Talkline access to the individual users it hopes to attract once Deutsche Telekom's monopoly ends.

The real winners in the German telecoms market will be those who receive one of the two or three licences for voice services after 1998.

Exactly how many licences there will be is still unclear. But even if RWE does not win one of them, the new network will ensure that the group remains a force in telecommunications.

IRI to sell its Stet stake by year-end

By Andrew Hill in Milan

IRI, the Italian state holding company, will sell its entire 64 per cent stake in Stet, the telecommunications group, before the end of this year, according to Mr Michele Tedeschi, IRI's chairman.

In an interview published yesterday in Il Sole 24 Ore, the Italian business newspaper, Mr Tedeschi said IRI also expected to privatise Autostrade, the company which runs Italy's toll motorways, by the end of 1995, as well the group which operates Rome's airports. He added that Alitalia, the airline, could be ready for privatisation during 1996.

Italian privatisation timetables have proved notoriously unreliable in the past, but the interview will add to the pressure on the government of Mr Lamberto Dini to decide which of the three largest candidates – Stet, Eni, the energy and chemicals group, and Enel, the electricity utility – should be sold first.

Mr Dini appears to favour the sale of Eni ahead of the two utilities, which cannot by privatised before regulatory authorities have been approved by the Italian parliament.

But Mr Tedeschi, a former chief executive of the telecoms company, said Stet was the best prepared because it was the only one of the trio quoted.

IRI could choose global co-ordinators and valuers for the sale by the end of April, he said. The sale would then take place after the demerger of the mobile telephone interests of Telecom Italia, Stet's main operating subsidiary, and the listing of Stet's shares in New York, due "before the summer".

The IRI chairman also sought to dispel fears that the sale of Ilva Laminati Piani, the flat steel producer, had run into difficulties. IRI is trying to persuade Riva, the private Italian steel producer, to increase its original offer for ILP, details of which have not been made public. The company has set a deadline of February 28 for the end of exclusive negotiations with Riva, and has commissioned a new valuation of the steel company from Pasfin, the Italian firm which carried out the original valuation, and Samuel Montagu, the UK merchant bank.

Mr Tedeschi confirmed that ILP would be sold "as soon as possible and at the best price possible", and denied speculation that it might be merged with Dalmine, a state-controlled steel company which is already quoted.

Any further delays risk upsetting the European Commission, which originally set a deadline of December 31 1994 for the privatisation of Italy's steel industry.

Noranda buys Pentair paper unit for $200m

By Maggie Urry in New York

Noranda Forest, the Canadian resources group, is paying Pentair, the US diversified industrial manufacturer, $200m for its paper business, Cross Pointe Paper.

Noranda said the acquisition would "add significantly to Noranda Forest earnings per share in 1995 and beyond as paper markets continue to strengthen". The acquisition will be funded from existing cash resources.

The sale by Pentair is part of its strategy of focusing on its industrial activities. It said that aside from the sale of Cross Pointe it was considering the future of its other paper activities, comprising Niagara of Wisconsin Paper and its 50 per cent share of Lake Superior Paper Industries.

Cross Pointe, which makes paper for the publishing and commercial printing and writing markets, posted sales of $237m in 1994. The purchase will more than double Noranda's wood-free paper capacity to 470,000 tonnes from 220,000 tonnes.

Pentair said its focus on industrial products, which contributed 77 per cent of group sales and 90 per cent of operating income in 1994, would make it "a much stronger, more manageable... company".

Solid result brings dividend rise at Orkla

By Karen Fossli in Oslo

Orkla, the Norwegian group with interests ranging from branded consumer goods to chemical processing, yesterday reported a rise in full-year 1994 pre-tax profits to NKr1.57bn ($241m) from NKr1.32bn and proposed to lift the dividend by 22 per cent to NKr5 a share.

Orkla's shares closed up NKr3.50 to NKr245.50 yesterday in Oslo on the news.

The strong result was achieved by progress in each of the group's main activities, which also drove up operating profit to NKr1.54bn from NKr1.27bn. It was also higher than average forecasts of pre-tax profit of NKr1.45bn by local analysts.

Group sales advanced to NKr20.78bn from NKr17.86bn as operating costs rose to NKr18.12bn from NKr15.65bn. Net financial items charged against accounts fell to NKr514m from NKr523m as profits from associated companies dropped to NKr129m from NKr219m.

Investment activities returned a NKr350m pre-tax profit in 1994 against NKr272m. But operating profit was cut to NKr16m from NKr29m.

The investment portfolio achieved a return of 9.5 per cent last year compared with a 7.1 per cent return by the Oslo bourse All-Share index. Realised gains hit NKr418m against NKr350m in 1993 as unrealised gains rose by NKr190m to NKr2.66bn. Dividends received rose to NKr130m in 1994 from NKr91m in the previous year.

Branded consumer goods lifted operating profit by more than 9 per cent to NKr1.12bn from NKr1.02bn. Orkla said that earlier this month it renewed an agreement for a further 20 years with Unilever on detergents and personal products and cosmetics.

Orkla's chemicals activities boosted operating profit to NKr349m from NKr224m. The result includes NKr50m from the disposal of the group's polymers business but Orkla said that economic recovery in Europe led to slightly higher prices particularly for pulp by the end of last year.

Production capacity for some products increased but productivity saw general improvement.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 23.02.95: Pool purchase price £/MWh	Final Prices for Trading on 22.01.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.60	9.20	9.20
0100	8.97	20.33	24.11
0130	8.99	20.33	24.11
0200	8.99	34.33	38.11
0230	8.97	20.33	24.11
0300	8.97	17.37	21.15
0330	8.97	17.37	21.15
0400	8.77	10.85	14.42
0430	8.80	10.85	14.42
0500	8.77	10.85	14.42
0530	8.80	18.10	18.10
0600	8.80	18.10	18.10
0630	8.80	18.10	18.10
0700	9.06	19.41	19.41
0730	9.78	25.79	31.08
0800	9.79	36.41	42.48
0830	9.83	43.03	51.80
0900	10.04	54.15	64.08
0930	10.37	57.90	68.49
1000	13.32	60.65	71.68
1030	10.34	60.09	71.01
1100	10.02	59.25	70.04
1130	10.37	63.48	75.08
1200	10.54	69.03	81.49
1230	10.62	74.76	88.68
1300	10.63	67.94	78.77
1330	9.91	52.13	61.52
1400	9.86	45.01	53.69
1430	9.83	44.55	53.38
1500	9.84	42.89	51.43
1530	9.87	45.43	48.45
1600	10.06	80.68	96.86
1630	16.70	181.89	218.15
1700	16.19	390.34	454.38
1730	21.63	508.71	675.78
1800	27.43	481.16	541.77
1830	28.85	306.69	351.37
1900	24.93	175.22	202.94
1930	19.29	89.25	104.00
2000	14.16	44.89	52.89
2030	9.88	26.78	31.78
2100	9.84	22.98	27.25
2130	9.09	10.04	13.86
2200	9.06	18.48	18.46
2230	8.68	17.44	17.44
2300	8.89	18.45	18.45
2330	8.80	18.39	18.39
2400	8.77	16.10	16.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg [illegible]. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between [illegible] and [illegible] Monday to Friday.
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COMPANY NEWS: UK

Subsidiary will operate from more than 100 service centres in 15 European countries

ICL acquires Bell's half of Sorbus

By Paul Taylor

International Computers, the UK-based computer company, is acquiring the other half of the Sorbus joint-venture customer services business from Bell Atlantic Business Systems, part of the US regional telephone group.

The Sorbus operation will be merged with ICL's existing in-house customer services business to form ICL Sorbus. The move represents a significant step in the expansion of ICL's computer service operations.

ICL Sorbus will provide customer services, including hardware and software support, maintenance and training, for all types of personal computer to corporate customers throughout Europe.

At present most of ICL's equipment is serviced by the ICL Customer service operation, with Sorbus looking after non-ICL equipment.

The new ICL subsidiary will have an annual turnover exceeding £500m ($775m) and employ more than 5,000 people in over 100 service centres in 15 European countries. About half its initial turnover will come from the UK, though ICL is keen to grow revenues from continental Europe.

The European market for computer service companies is worth about £10bn and is expected to grow to about £15bn by the end of the decade. ICL Sorbus will rank fourth in the European league of multi-vendor IT services companies behind IBM, Siemens Nixdorf and Digital.

Under the agreement, Bell Atlantic will not receive any up-front payment for its share of equity in Sorbus, but will receive performance-related earnings. No financial details were disclosed.

Mr Paul Whitwam, one of three ICL group executive directors, who will run the new business, said: "The agreement marks another step in the strategic growth of ICL's services businesses and brings us closer to fulfilling our ambition to become Europe's leading multi-vendor service supplier."

Sorbus was formed by ICL and Bell Atlantic in 1991. Since then, however, the customer care and support business had changed substantially, said Mr Whitwam. There was now much more emphasis on PC support.

Gartner Group, the market research firm, has estimated that the annual cost of supporting a corporate personal computer user is about $8,000 a year, or about $40,000 over the life of a PC - far in excess of the original equipment cost.

These costs reflect the need to upgrade software, retrain PC users and maintain perhaps hundreds of PCs. A growing number of companies are giving the work to third-party service providers.

LEX COMMENT

City and industry

There is a flavour of Mom and Apple Pie about the recommendations of the Myners group on improving relations between companies and their shareholders. It is clearly a good thing that directors, pension fund trustees and fund managers should communicate more effectively with one another to avoid the pitfalls of short-termism. The report provides helpful guidelines on how, in practice, communication should be enhanced. But it does not even have the Stock Exchange-backed standing of the Cadbury governance recommendations. So enforcement will be difficult and the proposals could remain something of a wish-list.

However, there is much for shareholders and companies to learn from the report. Institutions should note the critique that that they do not take their responsibilities as owners seriously enough. In particular they should improve their lamentable voting record at annual meetings and take the trouble to brief themselves before turning up to time-consuming meetings with senior management.

Management, for its part, should do more to spell out investment plans. The pressure felt by some companies to pay excessively high dividends may relent if they could convince investors that value could be created more effectively by investing cash within the business. Investors would be more willing to tolerate differentiation in dividend policy between companies in the same sector if companies were more explicit about the returns they hoped to generate on this investment.

Acorn rights funds TV plan

By Geoff Dyer and Andrew Hill

Acorn Computer Group, the UK-based computer manufacturer controlled by Olivetti of Italy, is to raise £17.2m ($26.7m) in a 1-for-3 rights issue to finance expansion into the interactive multimedia market.

The shares fell 5½p to 89½p yesterday, compared with the rights price of 80p.

Olivetti will not be taking up its rights and its stake will fall from 78.5 per cent to 58.9 per cent. Acorn hopes the introduction of new institutional shareholders will make its shares more liquid. It plans to move from the USM to a full listing.

The group, which yesterday also reported a pre-tax loss of £3.4m for 1994, after a £115,000 profit in 1993, is to invest £13m over three years in its Online Media division. The losses include £1.84m in start up costs for Online and restructuring costs of £960,000, as a result of redundancies at ACL, the core personal computer business.

Online has developed a digital "set-top box" which can deliver services to the home via a television set. Online Media was launched last year and is taking part in the Cambridge Interactive TV trial, which includes services such home banking by National Westminster Bank.

Acorn hopes that when interactive TV becomes established, by 1997 at the earliest, sales of the "set-top box" will run into the "hundreds of thousands".

Positive cash flow from the division is not expected before 1998. The balance of the funds raised will be used to eliminate debt, leaving the group ungeared, and giving it flexibility to invest in ACL.

Turnover dropped 7 per cent from £54.3m to £50.4m, in part because of reduced demand for personal computers from UK primary schools. The results were helped by a sevenfold increase to £1.3m in the contribution from Advanced Risc Machines, designer of the fast-growing ARM family of low power consumption microprocessors, in which Acorn has a 42.7 per cent stake.

Losses per share of 4.9p followed earnings of 0.2p in 1993.

Mr Sam Wauchope, managing director, said: "The traditional personal computer market is relatively mature. We are taking our technology skills and developing them in faster-growing sectors of the market."

In order to survive in such company, Acorn will need to strike deals with some of its international competitors. It has made a good start with its collaboration with Northern Telecom, the Toronto-based telecommunications equipment maker, which has chosen Online Media as its preferred supplier of set-top boxes for a number of interactive TV trials in Europe and the US.

Acorn still has the backing of Olivetti, with which it operates a series of ventures. Olivetti hopes Acorn will help it take advantage of forecast growth in multimedia systems and services. Since last autumn, the Acorn stake has come under the umbrella of a new subsidiary, Olivetti Telemedia, which groups together all the Italian company's multimedia interests.

Olivetti yesterday underlined that it was fully committed to retaining a majority stake.

"We do not necessarily want to have a crushing majority stake, but the important thing is to maintain control," explained the Italian company.

Mr Elserino Piol, the vice-chairman of Olivetti, was appointed chairman of Acorn in November.

Mr Wauchope is not afraid that the competition will swamp Acorn. "It will be some years before the big consumer electronics companies bear down on everyone at thin margins," he said.

But if the demand for set-top boxes does take off, expected from 1997, he is aware that the group might not be able to go it alone. "If we expand in the Far East or USA, we might need to find the right partner, rather than fund it all ourselves."

Being accepted in interactive TV tests is the other crucial part of the development process. The Cambridge test delivers services such as video-on-demand, home banking, shopping and educational items to 250 homes.

British Telecom is also undertaking a similar test in the Ipswich and Colchester areas. Mr Wauchope hopes to participate in six more tests around the world over the next year.

The rights issue is underwritten by Close Brothers.

Mars loss may cost Saatchi up to £10m

By David Blackwell

Saatchi & Saatchi, the UK-based advertising group that ousted Mr Maurice Saatchi as chairman in December, was yesterday playing down the decision by Mars to withdraw its account.

It described the US confectionery group's decision as "a major loss" but pointed out that in global terms the revenue to be lost was about $46.5m, or 4 per cent of the group total.

Analysts, however, were not quite so sanguine. "This is a lot more serious than a few senior executives resigning from Charlotte Street," said one. Shares in the group fell 10½p to close at 94½p.

The figures were proving difficult to untangle, but average estimates suggested that operating profits would be hit by about £5m in the current year. Exceptional costs would also be incurred, possibly taking the full setback to £10m.

One analyst reduced his forecast profits from £44m to £32m. But another was not cutting his estimate of £32.5m made last December, when senior executives followed Mr Saatchi out of the group.

The City regarded Mars' decision as proof that for the first time since Mr Saatchi left "the rot has spread".

Saatchi, which announces its 1994 results on March 14, said yesterday that it would take the full benefit of the Mars account for almost the whole of the first quarter.

Virgin Atlantic to operate own service to Athens

By James Harding in London and Kerin Hope in Athens

Virgin Atlantic has moved in to rescue its Athens-London service after its Greek franchise partner had its aircraft confiscated and unexpectedly filed for bankruptcy.

The collapse of Southeast European Airlines, an Athens-based private carrier, leaves Virgin in charge of its first wholly-owned operation in Europe.

When SEEA's Boeing 737, painted in the Virgin livery, was repossessed by the leasing company at Heathrow at the end of last month, Virgin used another leased aircraft as a stop-gap arrangement to keep the daily Heathrow-Athens service running.

Virgin is planning to use its own aircraft and personnel to service the route when that leasing agreement ends on March 26.

The decision to take full commercial responsibility for the route, even on the ad hoc basis demanded by SEEA's collapse, marks an important step in the development of Virgin's global strategy.

Mr Richard Branson's privately owned airline recorded a £14m ($21.7m) operating loss in 1993 and company representatives say Virgin is looking to pick up European passengers outside the UK to feed on to its long-haul flights.

Considering the large numbers of people of Greek origin living in America, Virgin will be interested in the tens of thousands of passengers travelling between Greece and the US each year to visit relatives.

The demise of SEEA, which set up the franchise less than two years ago, was a surprise.

Former SEEA officials insist that the London route is expected to show its first operating profits in 1994 of £700,000 on turnover of £11m. However, through heavy losses on its domestic routes the airline has accumulated debts of Dr1.5bn (£4.06m).

At its peak the Virgin franchise ran two round-trip flights a day. In 1994, the franchised service carried 100,000 passengers, 20 per cent of the Athens-London market, poaching most of its passengers from Olympic Airways.

As Virgin moves to take on the full costs of the service, having previously charged an undisclosed percentage of turnover for the use of the Virgin name, the profitability of the Athens route will depend on the resilience of the Olympic competition.

United Newspapers buys 12 east Asian trade fairs

By James Whittington

United Newspapers, publisher of the Daily and Sunday Express, has acquired Headway Trade Fairs, a private trade exhibition company based in Hong Kong, as part of its strategy of expansion in east Asia.

The group paid £11.4m ($17.7m) for Headway's 12 annual events in Hong Kong and China, which last year reported pre-tax profits of £1.28m on turnover of £6.19m. Mr Marshall Freeman, chairman of United's Asia publishing division, said the addition of Headway's fairs "secures United's position among the largest fair organisers in the region".

Last year, United purchased the Hong Kong International Trade Fair Group and all the outstanding shares not already owned in Asian Business Press, based in Singapore. Funding came mainly from a £190m cash call in 1993.

Mr Freeman said the businesses would work closely together to exploit joint opportunities in the region. Substantial cost benefits would be obtained from integrating Headway's events into the nine exhibitions already managed from Hong Kong, he added.

Headway's fairs cover the jewellery, leather, stationery, construction, furniture, export and aerospace markets.

"Our strategy is to increase our titles and activities in markets where we can have a worldwide reach," Mr Freeman said.

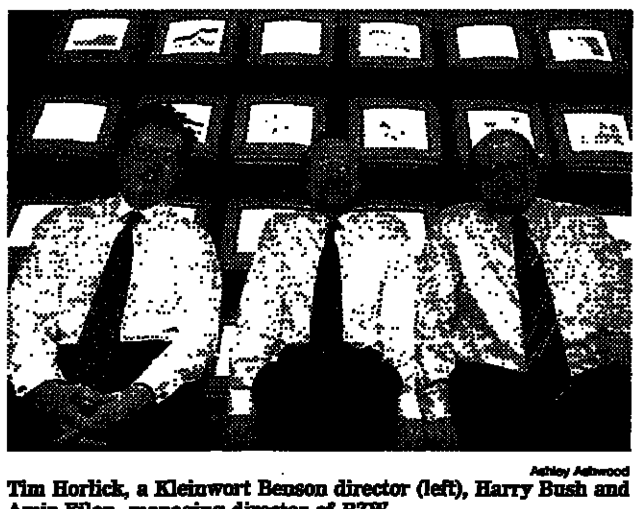
RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Acorn Computer	Yr to Dec 31	50.4	(54.3)	3.39L	(0.11)	4.9L	(0.2)	-	-	-	-	-
Fairway §	Yr to Dec 31	49.6	(42.3)	2.91	(2.25)	6.16	(4.79)	2.4	Apr 12	2.25	3.6	3.35
Leslie Wise	Yr to Nov 30	60.2	(49.5)	2.92‡	(2.47)	5.56	(4.74)	2.5	Apr 20	2.25	4.25	4
MTW	Yr to Dec 31	21.1	(53.6)	2.9	(12L)	7.3	(51L)	1	May 25	nil	1.5	nil
Oliver	Yr to Dec 31	75.2	(73.7)	1.6	(0.24)	6.05	(1.49)	1	June 16	nil	nil	nil
Rhino §	Yr to Dec 31	46.9	(21.7)	2.67L	(1.14)	3.06L	(1.45)	nil	-	0.5	-	0.5
Usher (Frank) §	6 mths to Nov 30	11.5	(9.28)	1.02	(0.623)	9.9	(6)	3.5	Apr 3	2.5	-	7
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
F&C Enterprise	Yr to Dec 31	82.9	(72.9)	1.06	(0.841)	1.12	(0.89)	0.8	Apr 21	0.6	0.8	0.6
Pacific Horizon	6 mths to Jan 31	41.61	(49.65★)	0.08	(0.007L)	0.2	(0.02L)	-	-	-	-	0.11
Rights & Issues	Yr to Dec 31	583.2	(545.7)	0.439	(0.41)	10.273	(10.177)	6.9	Mar 31	6.3	9.4	8.7

Dividends shown net. Figures in brackets are for corresponding period. §USM stock. ★At July 31. ‡After £73,000 redundancy costs.

Booking the bids in the global power sale

Conner Middelmann looks at how the latest privatisation issue will be monitored



Ashley Ashwood

Tim Horlick, a Kleinwort Benson director (left), Harry Bush and Amir Eilon, managing director of BZW

This morning at 8.30 precisely, a small room on the second floor of a City office building will erupt in a flurry of activity as the international sale of the UK government's remaining 40 per cent stake in the country's two big power generators - National Power and PowerGen - kicks off.

The "book-building room" - the nerve centre of the operation - resembles the bridge of the Starship Enterprise, with a wall of computer screens displaying colour graphics that chart the progress of the sale by the minute.

Share orders from institutional investors across the globe will arrive here over the next week, indicating how much money they are prepared to invest at specific prices. The book-building period for the £4bn ($6.2bn) sale, one of Europe's largest privatisations this year, ends on March 3 at 5pm. The international offer price and allocation will be agreed over the weekend, and trading in the partly-paid shares begins on March 6.

Book-building, which has been used in previous UK privatisations, allows the Treasury to compile a comprehensive picture of the strength of institutional demand for the shares over a range of prices. The aim is to ensure that the shares will be spread across a wide range of high-quality investors.

The share offer, totalling about £4bn, is structured in two parts: a UK public offer, targeted at UK retail investors, and two separate international tender offers (one for shares in National Power and one for shares in PowerGen) aimed at institutional investors in the UK and around the world.

The UK public offer will take at least 40 per cent of the shares - it can be increased in the event of strong demand. Up to 20 per cent of the issue will be bought back by the companies themselves. Furthermore, the international offer includes a retail tender to give UK individuals the opportunity to secure higher allocations than may be available through the public offer.

This means that the international tranche may be smaller than many expect. "There could be a tight pot of shares," one banker said.

Roadshows for the international offer began last week, with both companies conducting separate roadshows in financial centres throughout Europe and the US.

The offers are being marketed through a syndicate of 17 investment banks with BZW and Kleinwort Benson acting as joint global co-ordinators and bookrunners.

The book-building process starts in the "inputting room", where nine fax machines spew out forms detailing investors' orders. The price and quality of investors' bids is crucial as it affects their final allocation. The Treasury will favour bids by investors considered to be likely buyers or holders of shares in the aftermarket; bids made at an early stage of the offer period; firm bids; bids at specific price levels (rather than market-relative or strike-price bids); and sector bids.

"We had a very extensive discussion of about 1,200 accounts with members of the syndicate and have developed a consensus about how each institution would rank," says a syndicate official speaking for the joint global co-ordinators.

If the book-building room is the command centre, the "syndicate room" is the boiler room where eight officials from BZW and KB are in constant contact with the rest of the syndicate.

If, for example, a monitor shows a slowdown in orders from a particular region, syndicate manager or investor category, they will make the appropriate telephone calls to adjust the imbalance.

"It is the most sophisticated system we have used to date," says Mr Harry Bush, head of privatisation at the Treasury.

In order to reward the marketing efforts made by all the syndicate members, their selling commission is not directly related to their proportion of the allocations, but designated by the bidding institutions.

"We have sought to ensure that banks in the syndicate have an equal chance to go after the business," says Mr Bush.

Warburg loses three more employees

By Nicholas Denton

SG Warburg, the investment bank undergoing an upheaval, said yesterday that another three employees had departed. The three dealt with medium-term notes (MTNs), part of the bank's debt operations which have been scaled back.

Mr Kieran Walsh is joining BZW Securities, part of Barclays de Zoete Wedd. Mr Jeremy Vernon-Evans and Mr Brian Kearns are also leaving.

The bank said it was focusing on specialist MTNs, which are adapted to the needs of investors by the attachment of options. It was pulling out of simple MTNs.

The departures come on top of 10 from Warburg's equity capital markets department, including those of Mr Maurice Thompson and Mr Michael Cohrs, the two joint heads.

Warburg has filled gaps by redeploying staff from the debt division.

The fixed-income area has provided Mr Denys Firth and Mr James Garvin, who will head equity syndication, and Mr Hor Chan and Mr John Bassett, who are taking responsibility for MTN products.

Meanwhile, Yamaichi International, the Japanese broker, has recruited two floating rate note specialists formerly of Warburg.

Yamaichi said it planned to build up its presence in sterling FRNs - long-term debt securities whose interest rate is variable and linked to a benchmark.

COMMODITIES AND AGRICULTURE

Majority vote considered on EU animal transport

By Caroline Southey in Brussels and John Mason in London

The French presidency of the European Union, frustrated at its inability this week to secure unanimous agreement on the conditions under which animals are transported across the Union, says it is prepared to bypass reluctant member governments and settle for a majority decision on new and more humane regulations.

Mr Jean Puech, the French agriculture minister, said the council was "not far away" from the majority required for an agreement.

"When we get the numbers which would lead us to believe we have the necessary majority the presidency will take the necessary steps."

Mr Puech, who tabled compromise proposals during the two-day council of EU agriculture ministers in Brussels in a bid to break an 18-month deadlock between southern and northern states, said some ministers needed to refer back to their parliaments and he had had "no option but to wait".

Sweden, Austria and Germany had asked for time for further consultations, an official close to the talks said. He added, however, that Germany might agree to the compromise after further discussions in Bonn. Italy and Britain, at opposite end of the debate, rejected specific aspects of the compromise.

This would still leave the presidency short of the necessary qualified majority as Britain, Italy, Austria and Sweden would constitute a blocking minority of over 26 votes. The UK and Italy carry 10 votes each, while Austria and Sweden carry 4.

But the official said that the presidency and Mr Franz Fischler, the agriculture commissioner, remained confident one of the dissenting countries would signal agreement.

"Member states realise this could be the end of the road. If no agreement is found there will be only very loose animal welfare standards," a commission official said, pointing out that with Spain and Italy holding the next two presidencies there was little chance of the issue being raised again before the end of next year.

Mr William Waldegrave, the UK agriculture minister, told the British parliament yesterday that it was still possible to reach an agreement within the EU. "This is not a hopeless task," he said, adding that the bulk of EU member states now supported Britain's position.

He said the UK would not take any unilateral action. Not only would it be illegal, but by abandoning efforts to persuade other EU countries over the issue would lessen the chances of new legislation and damage the UK farming industry.

The French draft introduced for the first time the principle that conditions for transporting live animals should be tailored for three categories. In the case of cattle, sheep and goats, the animals would be rested and watered for two hours after every eight up to a limit of 24 hours of transport. The cycle could then be repeated if the animals were unloaded for 12 hours. Pigs constituted a further category and calves, lambs, kids and piglets a third, for which the restrictions were tighter.

The 12-hour rest periods after which journeys could recommence faced the greatest opposition from member states. "For some it is too long, for some it is too short. If we change the 12 hour rest period and make it longer we lose the southern states and if we do not change it we lose Britain which probably means the compromise on the table is the best we can get," a commission official said.

Night trading proposed at Chicago exchange

By Laurie Morse in Chicago

Directors of the Chicago Board of Trade have proposed that the exchange's agricultural futures and options be traded through the night, pre-empting growing competition from overseas exchanges.

The decision is a remarkable reversal for conservative members of the exchange, who have fiercely resisted attempts to lengthen the century-old 4-hour grain trading day. The exchange's financial futures traders have been working into the night since 1986.

Long the only real world market-place for establishing grain prices, CBoT leadership has watched with growing alarm as the Tokyo Grain Exchange has established a viable maize futures market and Paris's Matif has listed rapeseed futures. Futures exchanges in Paris and London are considering wheat contracts as farm laws liberalise, freeing prices and markets.

By listing the CBoT's dominant agricultural contracts for an evening trading session, currently proposed at the exchange between the hours of 05:30 and 08:05pm CST; and then shifting them on to an electronic system for trading through the night, the world's grain traders would have access to an open market in every time zone.

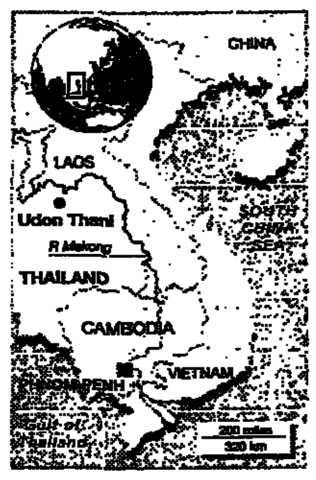
"Governments in general around the world want to get out of the [farm] price support business," says Mr Fred Grede, the CBoT's Executive vice president for planning and operations, "This means clearly there's a challenge to the board of trade that we're properly positioned, that we continue to have the most efficient market, the right products, and are geared up for competition."

The CBoT's board of directors will seek membership approval before going forward with the plan. A referendum would be held on the issue within 30 days, an exchange official said. If it passed, and the Commodity Futures Trading Commission approved, expanded trading sessions would tried on a six-month pilot basis. Contracts included in the plan are maize, wheat, soyabeans, soyabean oil and meal, oats, rice, and diammonium phosphate and anhydrous ammonia futures.

The proposal is bound meet substantial opposition. In 1993, Mr Patrick Arbor, CBoT Chairman, led a drive which opened the exchange's agricultural markets one hour earlier each morning. The new hours were in place only a few months before floor traders revolted and demanded a return to the old trading day.

Thailand set for high ranking in potash league

By Kenneth Gooding, Mining Correspondent



Thailand would by the turn of the century become a substantial producer of potash – used by the fertiliser industry to improve agricultural yields – it was claimed yesterday by Mr Gerry Wright, president of Asia Pacific Resources.

The small Canadian company has 75 per cent of a potash project near Udon Thani in north east Thailand. Its partners are the Thai government, with 10 per cent, and Thai Central Chemical, the country's biggest fertiliser distribution company and part of the Metro Group, with 15 per cent.

Mr Wright said development work on the deposit, 60km from the border with Laos, had already shown there was enough potash to support a US$300m mining complex producing an annual 2m tonnes of potassium chloride for 25 years. That would make it the world's second-largest potash mine after Sdom on the Dead Sea in Israel, which produces about 2.1m tonnes.

If the deposit was in Saskatchewan, Canada, whose mines account for about one third of world potash output, it would probably not be worth developing. But Udon Thani would be the only commercial potash producer in the rapidly growing Asian market at present supplied mainly from Canada and Russia. Transport cost savings would be significant, Mr Wright said. It cost about US$45 a tonne to ship potash from Vancouver to China whereas he estimated the cost would be a maximum of $15 from Udon Thani.

Also demand for potash in the Asian regional market was forecast to grow by 6 per cent a year compared with the global average of 2 per cent. Udon Thani would hope to service about 20 per cent of Asian regional requirements, he said, and that would leave plenty of room for traditional suppliers.

Potash, a term used to describe a number of salts of potassium, is produced though the mining and beneficiation of naturally occurring salts by conventional underground mining techniques (to be employed at Udon Thani) or by solution mining. Potassium is one of the three elements – the others are nitrogen and phosphorus – that are essential for healthy plant development and more than 95 per cent of potash produced is used as fertiliser.

World demand for potash, which peaked at about 31m tonnes, collapsed to about 21m tonnes in 1993 because consumption in Russia and Hungary virtually dried up following the break up of the Soviet Union and its satellite states.

Asia Pacific, part of the privately-owned Crew Group, in which Mr Wright and Mr John Darch are 50-50 partners, must eventually reduce its share of the Udon Thani project to 50 per cent. Thai Chemicals must decide by the end of March whether to increase its stake to 30 per cent. Asia Pacific shares, already listed on the Vancouver stock exchange, started trading in Toronto as well yesterday. Mr Wright was in London talking to institutional investors because Asia Pacific aims to raise another C$20m for further development work at Udon Thani and the production of a bankable feasibility study.

WWF questions benefits of Gatt

By Frances Williams in Geneva

The much-vaunted Uruguay Round accord on farm trade reform will do little to curb overproduction in rich countries and the dumping of surpluses on world markets, according to a report published by the World Wide Fund for Nature (WWF).

It says the accord will enable the two agricultural superpowers, the US and the European Union, to continue present farm policies under different rules.

Production is forecast to remain at or close to current levels over the next few years. Farmers in rich countries will continue to be subsidised, albeit increasingly through income payments rather than price supports.

The report notes that world market prices are forecast to rise only modestly, if at all, over the six-year term of the Uruguay Round agreement.

Meanwhile, developing countries have accepted rules, including the removal of quantitative restrictions on imports, that will make it more difficult for them to protect domestic farmers from the damaging consequences of export dumping, the report says.

This is likely to handicap their efforts to improve food security and environmental sustainability, WWF argues, as competition from cheap imports drives farmers off the land or forces them to have recourse to ecologically-destructive techniques such as "slash and burn".

Agriculture in the Uruguay Round: implications for sustainable development in developing countries. Available from WWF International, Avenue du Mont-Blanc, CH-1196 Gland, Switzerland, tel +41 22 364 9111, fax +41 22 364 53 58.

BHP's Brazilian iron ore venture to be expanded

By Nikki Tait in Sydney

The Samarco Mineracao joint venture in Brazil, which is 51 per cent owned by Samitri (Sociedade Anonima Mineracao da Trindade) and 49 per cent by a subsidiary of Australia's Broken Hill Proprietary, is to spend US$230m expanding its iron ore pellet plant at the Ponta Uba complex, south of Rio de Janeiro.

A new unit will be built in the area, in the state of Espirito Santo, and should come into operation in early 1997. This will lift pelletising production capacity from 6m to 11m tonnes a year.

BHP said that the expansion of the plant was triggered by rising world demand for iron ore pellets.

MARKET REPORT

Coffee price rally runs out of steam

The rally in COFFEE futures prices ran out of steam at the London Commodity Exchange yesterday after a weak New York performance and reports of rain in Colombia prompted the trade and speculators to cash in profits.

The May contract closed down $44 at $2,970 a tonne, 2.3 per cent below a 1995 high of $3,040 hit on Tuesday following concerns over tight coffee stocks and a prolonged drought in Colombia, the world's second largest coffee producer.

At the London Metal Exchange BASE METAL prices extended early declines as traders remained wary of further investment fund selling in the absence of significant fundamental news.

The GOLD market held its ground meanwhile and continued to test the $380-a-troy-ounce barrier, again supported by light option-related buying, dealers said.

The London bullion market price closed at $378.95, up 15 cents after an afternoon fixing at $379.20.

"We've seen some action on the options again, and that's keeping gold towards the top of the range," one dealer said.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1857.5-58.5	1896-97
Previous	1904-5	1938.5-39.0
High/low	1880/1878	1932/1896
AM Official	1878.5-79.5	1918-19
Kerb close		1898-99
Open int.	224,238	
Total daily turnover	37,076	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1830-40	1870-80
Previous	1875-85	1915-20
High/low		1915/1875
AM Official	1855-65	1895-905
Kerb close		1875-80
Open int.	2,683	
Total daily turnover	397	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	580-81	598-600
Previous	583-84	602-3
High/low	587	605/597
AM Official	587-88	605-5.5
Kerb close		601-2
Open int.	38,101	
Total daily turnover	6,965	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8300-10	8450-60
Previous	8400-10	8550-55
High/low	8370/8350	8550/8435
AM Official	8364-65	8528-30
Kerb close		8435-45
Open int.	56,403	
Total daily turnover	10,319	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5470-80	5560-70
Previous	5520-30	5610-15
High/low		5655/5600
AM Official	5560-70	5655-60
Kerb close		5570-80
Open int.	20,602	
Total daily turnover	4,649	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1029-30	1053-54
Previous	1040-41	1064-65
High/low	1039/1038	1065/1046
AM Official	1038.5-39.0	1063-64
Kerb close		1048-51
Open int.	100,871	
Total daily turnover	15,281	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2870-71	2865-66
Previous	2884-85	2879-80
High/low	2877	2877/2863
AM Official	2877-78	2870-71
Kerb close		2865-6
Open int.	232,027	
Total daily turnover	68,603	

■ LME AM Official £/$ rate: 1.5815
LME Closing £/$ rate: 1.5888

Spot:1.5857 3 mths:1.5839 6 mths:1.5814 9 mths:1.5761

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open Int	Vol
Feb	135.70	-0.20	135.70	135.70	913	127
Mar	131.45	-1.95	133.80	131.10	18,596	5,518
Apr	131.95	-	-	-	1,368	18
May	129.30	-1.40	131.20	129.25	15,454	4,085
Jun	128.20	+0.10	-	-	586	32
Jul	126.20	-1.00	127.90	126.20	4,170	187
Total					51,414	10,376

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	378.80-379.10		
Opening	379.10-379.50		
Morning fix	379.00	239.494	473.940
Afternoon fix	379.20	238.500	473.621
Day's High	379.20-379.50		
Day's Low	378.60-378.90		
Previous close	378.60-379.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.87	6 months	5.39
2 months	4.97	12 months	5.87
3 months	5.03		

Silver Fix	p/troy oz.	US cts equiv.
Spot	300.80	475.50
3 months	305.30	482.10
6 months	310.65	489.60
1 year	323.00	507.00

Gold Coins	$ price	£ equiv.
Krugerrand	379-382	239-242
Maple Leaf	389.85-392.30	
New Sovereign	88-91	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol
Feb	379.9	+1.3	381.0	379.0	342	39
Mar	380.1	+0.9	-	-	2	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US gall.; c/US galls.)

	Latest price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	108.55	-0.05	108.55	108.25	809	123
May	110.15	+0.05	110.15	109.85	1,930	85
Jul	111.15	-0.05	111.15	111.00	353	7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Nuts and Seeds
[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	1045	-3	1050	1044	24,917	669
May	1037	-2	1043	1036	23,504	1,980
Jul	1043	-4	1051	1041	11,630	453
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Feb 21	Price	Prev. day
Daily	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

Feb 21	Price	Prev. day
Comp. daily	[illegible]	[illegible]
15 day average	[illegible]	[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 22	Feb 21	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

■ CRB Futures (Base: 1967=100)

Feb 21	Feb 20	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Apr	73.025	-0.300	73.350	72.875	507	2,114
Jun	66.700	-0.075	66.875	66.350	44,070	11,191
Aug	64.250	-	64.350	63.850	16,528	3,818
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Apr	38.750	+0.300	38.875	38.575	111	1,134
Jun	44.950	+0.350	44.975	44.575	14,494	3,668
Aug	43.250	+0.200	43.300	43.050	7,674	1,042
Oct	40.200	+0.125	40.250	39.900	2,547	103
Dec	40.975	-0.025	41.000	40.700	2,478	186
Feb	41.750	-0.250	42.000	41.800	799	38
Total					38,113	6,358

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Feb	44.125	+1.100	44.125	42.975	329	147
Mar	43.475	+0.775	43.800	42.550	2,771	2,025
May	44.300	+0.800	44.600	43.325	3,586	1,221
Jul	44.550	+0.775	44.575	43.600	1,551	181
Aug	41.675	+0.775	41.800	41.300	428	16
Feb	51.000	-0.100	51.400	50.850	68	3
Total					8,720	3,593

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1800	145	195	50	90
1850	116	168	69	112
1900	90	144	93	136
■ COPPER (Grade A) LME	May	Aug	May	Aug
2700	195	171	28	83
2800	127	120	58	129
2900	76	81	106	186
■ COFFEE LCE	Mar	May	Mar	May
2700	325	379	57	148
2750	290	349	72	166
2800	257	321	89	188
■ COCOA LCE	Mar	May	Mar	May
1025	50	72	38	55
1050	38	60	51	68
1075	29	50	67	83
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	54	75	12	57
1700	25	52	31	84
1750	8	36	67	118

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$16.56-6.59z	-0.030
Brent Blend (dated)	$17.07-7.09	+0.010
Brent Blend (Apr)	$16.94-6.96	-0.020
W.T.I. (1pm est)	$18.61-8.62z	-0.010

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$173-175	
Gas Oil	$148-149	
Heavy Fuel Oil	$107-109	
Naphtha	$170-171	-1
Jet fuel	$167-169	+2
Diesel	$152-153	+1

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)‡	$378.95	+0.15
Silver (per troy oz)‡	474.0c	-2.0
Platinum (per troy oz.)	$415.75	-1.25
Palladium (per troy oz.)	$157.25	+0.25
Copper (US prod.)	140.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.99m	+0.16
Tin (New York)	258.50c	-2.00
Cattle (live weight)†	120.09p	+0.33*
Sheep (live weight)†♣	120.66p	+1.05*
Pigs (live weight)	64.41p	+1.32*
Lon. day sugar (raw)	$361.1	-0.2
Lon. day sugar (wte)	$406.0	-2.2
Tate & Lyle export	£343.0	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)♥	113.5p	
Rubber (Apr)♥	113.5p	
Rubber (KL RSS No1)	442.5m	
Coconut Oil (Phil)§	$630.0y	-15.0
Palm Oil (Malay.)§	$570.0t	-5.0
Copra (Phil)§	$416.0y	
Soyabeans (US)	£189.0q	+1.0
Cotton Outlook'A' Index	103.85c	+1.70
Wooltops (64s Super)	532p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Apr. t Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. ♣ Sheep (Live weight prices). * Change on week © Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,694 Set by GRIFFIN

ACROSS
1 Fence having trouble hiding jewellery (8)
5 Effect of moving camp in it (6)
9 Duly ends broadcast without warning (8)
10 Officer backed tax disc size (6)
12 English jazz fan left during applause (5)
13 Ordered admiral to look for animal (9)
14 Emotionally affected Jack's first off (6)
16 Going without nothing nurse enters plant (7)
19 Germ-free space it corrupted (7)
21 Bottle-opener taken down and flogged (6)
23 Notice man returning service book (9)
25 Be taking hat off to swim (5)
26 Teachers' manner when rejecting fur (6)
27 Asked to finish about 24 sheets (8)
28 Fix when autograph is needed (6)
29 Swinger providing one with a good time? (8)

DOWN
1 Are you saying the girl had hurried? (6)
2 Unsound libel, Enid, is inexpungible (9)
3 In Italian enclosure standing's unsuitable (5)
4 Irritate colonist by dashing (7)
6 After staff party fan dances here (9)
7 Virginia put up with trouble after use (5)
8 Unqualified and admitting nothing's finished (8)
11 Second fool to be complacent (4)
15 Involving turning north-east and following (9)
17 Relating to voters wanting local tree transplanted (9)
18 Prohibited speaking of girl's handkerchief (8)
20 Finding copper on vessel, swear! (4)
21 Black man with an engineer's poise (7)
22 Not often trained models (6)
24 Heard views of various locations (5)
25 Certain to jump? (5)

Solution 8,693

B	I	F	F	E	D		R	U	T	H	L	E	S	S
E		L		L				G		E		L		I
H	O	O	R	A	Y		C	L	E	A	R	I	N	G
E		O		N		A		I		T		T		H
S	I	D	E	D	R	U	M		T	H	R	E	A	T
T		T		S		T		A		E				E
S	U	I	T		H	O	P	P	I	N	G	M	A	D
		D		A		P		P		S		A		
S	T	E	P	B	Y	S	T	E	P		A	R	I	D
H				S		Y		A		I		K		I
E	A	S	T	E	R		C	L	A	M	B	E	R	S
R		H		N		B		S		P		T		C
B	R	E	A	T	H	E	D		H	A	N	D	L	E
E		E		E		A				I		A		R
T	U	R	N	E	D	U	P		C	R	A	Y	O	N

European sector drifts down in lacklustre trading

By Conner Middelmann and Richard Lapper in London and Lisa Bransten in New York

Most European markets drifted lower in lacklustre trading, weighed down by the troubled Italian market and apprehensive of testimony by Mr Alan Greenspan, chairman of the Federal Reserve. US Treasuries' gains late in the European day lifted prices off their lows, but sentiment remained fragile.

■ Short-term US Treasury notes outperformed longer term securities yesterday morning after Mr Greenspan, said he expected the economy to slow this year.

Near midday the benchmark 30-year Treasury was up ⅛ at 100$\frac{31}{32}$ to yield 7.590 per cent. At the short end, the two-year note gained $\frac{1}{16}$ to 100$\frac{19}{32}$, yielding 6.970 per cent.

In testimony to the Senate banking committee, Mr Greenspan said he saw the economy slowing from its pace in 1994, but added that price pressures at consumer levels could pick up. "The jury remains out on whether the slowing that is in the train will be sufficient to contain inflation pressures," he said.

Since last February, the Fed has raised interest rates seven times. Traders had expected one or two more rounds of tightening this year, but Mr Greenspan's testimony caused some to reconsider.

The spread on yields between two and 30-year notes jumped to 62 basis points from 55 points late on Tuesday. Such a move generally indicates that the market expects inflation, but analysts said it might simply be the market reversing its position about economic slowing if the Fed stops tightening.

Mr Richard Gilhooly, head of international fixed income at Paribas, said: "In December the curve flattened as the market priced in 100 basis points of tightening this year. This is simply the unwinding of that."

A weak dollar also put pressure on the long end of the market. In intraday trading the currency held steady at a two-year low against the D-Mark and slipped further against the yen.

GOVERNMENT BONDS

■ UK government bonds outperformed the rest of Europe, buoyed by a positive response to the latest auction by the Bank of England.

The issue of £2bn of 8.5 per cent gilts maturing 2005 was oversubscribed by 2.08 times, the highest level of cover since December 1993, some 10 auctions ago. The average bid price was 98$\frac{11}{32}$ at a yield of 8.72 per cent.

Traders said that a number of institutional investors had come off the sidelines. "We have seen bigger interest from domestic institutions than for some time. Many funds have kept their powder dry for this issue," said one salesman. Traders also pointed to switching by some investors from European bonds into gilts.

There were also signs that some of the demand for the new issue was prompted by switching from different gilts issues. The 9½ per cent 2005 gilt stops being the cheapest-to-deliver for the 10-year gilt futures contract in April. At that point the 8½ per cent due 2005 is set to become the cheapest to deliver for the June futures contract.

Mr Andrew Roberts, gilts analyst at UBS, said this consideration was the most important factor in explaining demand. "Overall, we still view the market as lacklustre," he said.

The yield spread over bunds narrowed to 138 from 142 basis points. The long gilt future on Liffe closed at 101$\frac{13}{32}$, up ⅜.

■ Italian bonds were the day's worst performers, sliding by more than ½ point on fears of rising inflation and worries that the Dini government's mini-budget, expected this week, might have trouble being passed in parliament after former prime minister Mr Silvio Berlusconi said it would be difficult to back the package.

Bonds slid sharply at the opening after the Bank of Italy raised the discount rate by 0.75 percentage points to 8.25 per cent late on Tuesday to bolster the flagging lire.

Dealers said the timing of the increase, which had been expected in January, was ill-chosen and rattled the bond market.

In recent months, the market has been buffeted by political and budget worries, but inflation concerns have now been added to the list, raising fears of further monetary tightening.

Reflecting these fears, the March three-month eurolira future on Liffe fell by 0.41 point to 90.28; the June contract shed 0.29 point to 89.57.

"With inflation projections likely to be revised up, investors should start entertaining the scenario that the 10-year BTP yield spread over bunds widens out to 600 basis points later this year," warned Mr Kirit Shah, bond strategist at First Chicago. Yesterday, the spread widened by 12 basis points to 530 basis points.

■ German bonds put on a lacklustre performance, although they recouped early losses to close little changed. The March bund futures contract on DTB ended at 90.36, down 0.05 point.

Dealers were disappointed by the government's auction of 6⅞ per cent four-year treasury bills, where the Bundesbank only placed DM1.42bn of the DM4bn issue, retaining the rest for market tending operations. The announcement of an IG Metall strike also weighed on bunds.

CBoT to launch derivatives pegged to US yield curve

By Laurie Morse and Richard Lapper

The Chicago Board of Trade is to launch futures and options pegged to the US Treasury yield curve, pending regulatory approval.

The yield curve spread contracts are expected to offer a cheaper and more accurate way for traders to speculate on yield relationships between US Treasury instruments of various maturities.

These "spreads" are already traded using the CBoT's 30-year Treasury bond and two, five, and 10-year Treasury note futures and options contracts.

The exchange said it believed new customers would use the yield curve spread contracts because they allow users to construct a position which tracks the yield curve more closely than existing products.

The spread contracts will be cash settled and based on yields of "on-the-run" US Treasuries, rather than the "cheapest to deliver" instruments reflected in the CBoT's existing contracts. The contracts have the added attractions of not rolling down the curve as time passes, and will not require rebalancing because their dollar duration does not change.

The CBoT plans to offer six such contracts: the two, five and 10-year Treasury notes against the 30-year Treasury bond; the 10-year note against the two and five-year notes, and the two-year note against the five-year note.

Separately, the London International Financial Futures Exchange announced yesterday that it is to introduce in May an option on its fast growing three-month eurolira interest rate futures contract. The exchange already offers options on four other short term interest rate contracts – eurosterling, euromark, euroswiss and the eurodollar.

The eurolira has been the fastest growing short-term contract since its introduction in October 1992. Last year almost 3.5m lots were traded, an increase of 134 per cent over 1993.

Mr Daniel Hodson, chief executive of Liffe, said: "Given the high level of volatility in eurolira interest rates, the introduction of a eurolira option will help meet the increasing market demand for additional hedging and trading instruments at the short end of the Italian yield curve".

Investors offered a choice of defensive instruments

By Martin Brice

Syndicates offered defensive instruments in the eurobond markets yesterday, to tap into the need for investors to protect themselves in a time of uncertainty.

The syndicate at BZW had a busy day lead-managing three deals. The largest was a $150m, three-year floating-rate note for Adelaide Bank, its eurobond debut. BZW had run a roadshow in Asia and Europe for the deal, which carried a discounted margin of 40 basis points over Libor.

PaineWebber and BZW brought a $100m, four-year FRN for Repackaged Sovereign Investments, which carried a discounted margin of 33 over Libor. The two leads swapped an income stream from European governments' debt into dollars, which provided the securities behind the deal. The structure was similar to Le Sires' offering, a Y20bn four-year FRN carrying a coupon of 25 basis points over Libor, brought via Merrill Lynch.

INTERNATIONAL BONDS

Merrill Lynch also launched the biggest deal of the day, a $1.66bn two-tranche global FRN for First USA Credit Card Master Trust, which was due to be priced late in New York trading. The $1bn tranche is expected to mature on March 15, 1999 but must mature by October 15, 2001. The $660m tranche is expected to mature on March 15, 2002 but must mature by October 15, 2004.

KfW also brought an FRN, a DM300m five-year deal with a coupon of 5 under Fibor, via Trinkaus & Burkhardt and ABN Amro Hoare Govett.

BZW was also active in the fixed-rate sector, handling a A$100m five-year deal for DSL Finance which carried a coupon of 10.25 per cent.

Also in the fixed-rate sector, Nomura brought its fourth Australian dollar deal this year, a deep-discount A$100m three-year transaction with a coupon of 4.5 per cent for New South Wales Treasury Corp. This brings Nomura's total to A$500m this year.

In the secondary market, the Bank of Ireland deal brought on Tuesday by BZW at 95 basis points over the comparable gilt has tightened in to 91 over.

The five-year 7¼ per cent coupon DM1bn deal for Depfa Bank, which came on Tuesday via Commerzbank and West LB, was holding steady at 30 basis points over the comparable five-year bond. The performance of this bond is complicated by a squeeze on the Treuhand Obligation (TOBL) against which it is compared, which makes the TOBL more expensive. The bonds came at 28 basis points over and were steady around that when freed to trade on Tuesday. Depfa's last two deals have tightened in since launch.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
F.USA Class A, S.1995-1(a1)‡	1bn	(a3)	(a3)R	Mar.1999	0.275R	-	Merrill Lynch International
F.USA Class A, S.1995-2(a2)‡	660	(a4)	(a4)R	Mar.2002	0.375R	-	Merrill Lynch International
Adelaide Bank‡	150	(b)	99.73R	Mar.1998	0.15R	-	Barclays de Zoete Wedd
Repackaged Sovereign Invs.(c)‡	100	(d)	99.875R	Dec.1998	0.20R	-	BZW/ PaineWebber
YEN							
Le Sires (Series 1)(e)‡★	20bn	(d)	99.667	Jul.1999	0.35	-	Merrill Lynch International
Province of Quebec(f)★	20bn	3.55	99.99	Mar.1998	0.35	-	Yamaichi Intl.(Europe)
Corp. Andina de Fomento(c)	12bn	4.80	99.99R	Jun.1998	0.50R	-	Nikko Europe
D-MARKS							
KfW‡	300	(g)	100.05	Mar.2000	0.20	-	Trinkaus/ ABN Amro HG
LUXEMBOURG FRANCS							
Banque UCL(h)	2.3bn	7.75	102.10	Apr.1999	1.625	-	Banque UCL
IPPA Finance(i)	2bn	8.00	102.60	Jun.1999	1.625	-	BCEE
AUSTRALIAN DOLLARS							
DSL Finance	100	10.25	101.64	Apr.2000	2.00	-	Barclays de Zoete Wedd
New Sth.Wales Treasury Corp.★	100	4.50#	88.278	Mar.1998	1.375	-	Nomura International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) First USA Credit Card Master Trust. Legal maturities (a1) 15/10/01 and (a2) 15/10/04. Priced later at discounted margins of: (a3) 1-mth Libor + around 14bp and (a4) 1-mth Libor + 23-24bp. b) 3-mth Libor +30bp. c) Short 1st coupon. d) 3-mth Libor +25bp. e) Long 1st & short last coupons. f) Issue launched 16/3/95 was increased to Y50bn. g) 3-mth Fibor -5bp. h) Issue launched 31/1/95 was increased to LFr4.8bn. i) Issue launched 2/2/95 was increased to LFr4bn. Long 1st coupon.

£30m for old people's homes

By Martin Brice

A £30m syndicated loan has been raised to modernise old people's homes transferred from Hertfordshire County Council.

The loan, arranged by Morgan Grenfell for Quantum Care, is believed to be the biggest so far for the modernisation of such homes.

Mr John Scott, of Morgan Grenfell, said: "This is the fourth loan we have arranged to enable residential homes for elderly people, currently in local authority ownership, to be transferred to the private sector so the cost of modernising does not fall within the definition of public expenditure."

There are 2,000 such properties in England and Wales still run by local authorities. This deal brings to a total of £46.7m the four loans for different councils arranged for this purpose by Morgan Grenfell.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.7200	−0.280	10.21	10.18	10.42
Austria		7.500	01/05	98.7700	−0.050	7.68	7.67	7.72
Belgium		7.750	10/04	96.3000	+0.120	8.31	8.28	8.46
Canada *		9.000	12/04	100.7500	−0.100	8.88	8.83	9.37
Denmark		7.000	12/04	87.7700	−0.060	8.92	8.88	9.07
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	95.9600	−0.190	8.06	7.96	8.19
Germany Bund		7.375	01/05	99.4800	−0.040	7.45	7.37	7.52
Ireland		8.250	10/04	83.0500	+0.100	8.80†	8.79	8.78
Italy		9.500	01/05	84.4200	−0.490	12.26	11.96	12.11
Japan	No 119	4.800	06/99	103.8020	+0.118	3.80	3.84	3.84
	No 164	4.100	12/03	97.4150	+0.123	4.51	4.59	4.64
Netherlands		7.250	10/04	97.7200	−0.090	7.58	7.52	7.66
Portugal		8.875	01/04	85.1000	−0.100	11.65	11.65	11.64
Spain		10.000	02/05	90.3100	−0.210	11.67	11.44	11.90
Sweden		6.000	02/05	71.7650	+0.106	10.76	10.68	11.15
UK Gilts		6.000	08/99	90-20	+6/32	8.59	8.49	8.53
		8.500	12/05	98-30	+15/32	8.65	8.58	8.63
		9.000	10/08	102-26	+12/32	8.64	8.57	8.63
US Treasury *		7.500	02/05	100-21	+4/32	7.41	7.39	7.66
		7.625	02/25	100-11	−1/32	7.60	7.54	7.77
ECU (French Govt)		6.000	04/04	84.3500	−0.240	8.53	8.39	8.63

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	9	One month	5.53	Two year	7.09
Broker loan rate	6½	Two month	5.90	Three year	7.23
Fed.funds	5$\frac{15}{16}$	Three month	5.93	Five year	7.36
Fed.funds at intervention	-	Six month	6.31	10-year	7.45
		One year	6.65	30-year	7.60

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.30	111.46	-0.16	111.52	111.22	135,890	144,975
Jun	110.46	110.64	-0.14	110.70	110.42	7,480	24,052
Sep	109.78	109.98	-0.12	110.00	109.78	407	3,748

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
110	-	1.68	1.75	0.01	1.05	1.86
111	0.52	1.13	-	0.08	1.53	-
112	0.05	0.68	0.92	0.59	2.04	-
113	0.01	0.38	-	-	-	-
114	-	0.20	-	-	-	-

Est. vol. total, Calls 20,650 Puts 43,424. Previous day's open int., Calls 206,838 Puts 223,199.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.33	90.40	-0.05	90.58	90.17	141287	187847
Jun	89.83	89.88	-0.06	90.03	89.70	11345	33618
Sep	89.35	89.36	0.03	89.35	89.35	105	0

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
8950	0.75	0.95	1.15	1.23	0.37	0.57	0.77	1.35
9000	0.48	0.68	0.88	1.00	0.60	0.80	1.00	1.62
9050	0.29	0.47	0.66	0.81	0.91	1.09	1.28	1.93

Est. vol. total, Calls 14149 Puts 19982. Previous day's open int., Calls 88377 Puts 70345

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.95	98.33	-0.57	98.59	97.90	57453	48667
Jun	97.25	97.30	-0.54	97.53	97.22	2411	4559

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9700	1.95	2.17	1.65	2.87
9750	1.67	1.96	1.87	3.16
9800	1.42	1.76	2.12	3.46

Est. vol. total, Calls 2747 Puts 1920. Previous day's open int., Calls 11035 Puts 8122

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	84.44	84.73	-0.18	84.85	84.36	46,694	52,717
Jun	84.24	84.23	-0.18	84.29	84.10	465	1,695

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-28	101-13	0-12	101-22	100-25	97679	85367
Jun	101-00	101-19	0-13	101-26	101-00	6278	9337

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% 0 0

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
101	1-14	1-35	1-58	2-46	0-40	0-61	1-20	1-58
102	0-44	1-02	1-24	2-13	1-06	1-28	1-50	2-25
103	0-22	0-41	0-61	1-49	1-48	2-08	2-23	2-61

Est. vol. total, Calls 2891 Puts 4496. Previous day's open int., Calls 12387 Puts 11154

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.32	81.50	-0.20	81.56	81.32	3,068	5,883
Jun	-	81.30	-0.20	-	-	-	1,658

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	102-07	102-10	+0-02	102-13	102.06	133,536	312,600
Jun	101-24	101-25	+0-01	101-29	101-23	8,500	83,822
Sep	101-16	101-13	+0-04	101-16	101-13	132	8,613

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	109.53			109.57	109.50	2500	0
Jun	108.72			108.76	108.67	4985	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Feb 22	Day's change %	Tue Feb 21	Accrued interest	xd adj. ytd		Low coupon yield Feb 22	Low Feb 21	Low Yr. ago	Medium coupon yield Feb 22	Medium Feb 21	Medium Yr. ago	High coupon yield Feb 22	High Feb 21	High Yr. ago
1 Up to 5 years (23)	118.24	+0.12	118.10	1.07	2.53	5 yrs	8.63	8.67	6.21	8.65	8.70	6.45	8.81	8.86	6.53
2 5-15 years (22)	139.06	+0.29	138.66	1.89	2.06	15 yrs	8.54	8.59	6.90	8.66	8.71	7.02	8.86	8.91	7.25
3 Over 15 years (9)	153.92	+0.48	153.19	0.41	4.05	20 yrs	8.51	8.55	7.02	8.66	8.71	7.04	8.76	8.82	7.26
4 Irredeemables (6)	177.45	+0.12	177.23	3.36	0.00	Irred.†	8.60	8.60	7.14						
5 All stocks (60)	135.70	+0.27	135.34	1.39	2.55										

Index-linked							Inflation 5% Feb 22	Feb 21	Yr. ago	Inflation 10% Feb 22	Feb 21	Yr. ago
6 Up to 5 years (2)	188.79	+0.12	188.57	0.57	1.45	Up to 5 yrs	3.72	3.77	2.28	2.33	2.38	1.37
7 Over 5 years (11)	174.13	+0.21	173.77	0.72	0.80	Over 5 yrs	3.88	3.90	3.19	3.69	3.70	3.00
8 All stocks (13)	174.75	+0.20	174.40	0.70	0.88							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 22	Feb 21	Feb 20	Feb 17	Feb 16	Yr ago	High*	Low*
Govt. Secs. (UK)	90.86	90.67	90.89	91.06	91.10	102.54	107.04	89.54
Fixed Interest	109.56	109.69	109.82	109.74	109.82	125.28	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 21	Feb 20	Feb 17	Feb 16	Feb 15
Gilt Edged bargains	95.0	77.0	79.1	104.6	157.1
5-day average	102.6	122.6	125.7	127.5	124.6

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
Shorts (Lives up to Five Years)						
Exch 3pc Gas 1990-95	3.02	6.28	99$\frac{11}{32}$	—	103⅜	97⅛
10¼pc 1995	10.10	6.73	101$\frac{15}{32}$	—	107$\frac{23}{32}$	101$\frac{15}{32}$
Treas 12¾pc 1995‡‡	12.36	7.01	104$\frac{1}{32}$	—	113⅝	104$\frac{1}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
Conversion 9½pc 2004	9.07	8.76	104$\frac{3}{4}$	+¼	125$\frac{1}{4}$	101$\frac{13}{16}$
Treas 6¾pc 2004‡‡	7.71	8.66	87$\frac{1}{16}$	+½	105⅛	84$\frac{9}{32}$
8½pc 2005‡‡	8.59	8.64	98$\frac{31}{32}$	+$\frac{13}{32}$	100$\frac{23}{32}$	97
Conv 9½pc 2005	9.04	8.73	105$\frac{1}{16}$	+⅛	125½	102⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield (1)	Yield (2)	Price £	+ or –	1994/95 High	1994/95 Low
Index-Linked (b)						
2pc '96 (67.9)	1.97	3.68	203$\frac{11}{32}$xd	+$\frac{1}{32}$	204$\frac{1}{32}$	197$\frac{11}{32}$
4⅝pc '98‡‡ (135.6)	2.77	3.70	107$\frac{11}{16}$	+$\frac{3}{32}$	113$\frac{1}{32}$	108$\frac{1}{32}$
2½pc '01 (78.3)	3.40	3.86	167$\frac{15}{16}$	+¼	176⅞	163½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

مكبرة من الاصل

CURRENCIES AND MONEY

MARKETS REPORT

Greenspan comments prompt dollar selling

The dollar yesterday sunk to its lowest level since October 1992 after comments from Mr Alan Greenspan, chairman of the Federal Reserve, undermined market confidence in US monetary policy, *writes Philip Gawith*.

Delivering his Humphrey-Hawkins testimony to Congress, Mr Greenspan raised the prospect that the Fed might hold rates steady, or even ease them, despite poor price data.

The tone of these comments, which was much less hawkish on inflation than the market had anticipated, prompted dollar selling.

Bolstering this trend was the vote in favour of strike action by the IG Metall union in Bavaria. This prompted a firming in German interest rates, lending support to the D-Mark.

The dollar closed in London *at DM1.4679, from DM1.4796*, and at Y96.975, from Y97.425.

The lira was again a prominent victim of D-Mark strength, breaching the L1,100 level for the first time. It closed at L1,105 from L1,092, against the D-Mark. The franc and the peseta also both weakened notably. The franc finished at FFr3.499, from FFr3.484, while the peseta closed at Pta87.98, from Pta87.43.

The further weakness of most European currencies was more an extension of existing trends, than a response to any fresh developments.

Sterling had a steady day, losing slightly against the D-Mark, and gaining against *the dollar. It finished at* DM2.3299, from DM2.339, and at $1.5873 from $1.5809.

Technical factors caused the Mexican peso to slip to 5.765 pesos, from 5.405 pesos, against the dollar, while the discount between the financial and commercial rands in South Africa narrowed to 6.2 per cent, from 7.2 per cent.

■ Most, though not all, observers were unnerved by what was seen *to be the unexpectedly* doveish tone of Mr Greenspan's comments, especially given lingering sensitivities that the Fed had not yet won the battle against inflation.

The dollar lost around a pfennig, to touch a low of DM1.4638, after Mr Greenspan's comments.

Mr Greenspan's observations accentuate a negative interest rate backdrop. Mr Tony Norfield, UK treasury economist at ABN AMRO in London, notes that the dollar interest rate premium over the D-Mark, priced in the June 1995 futures contract, has narrowed by 70 basis points since the start of the year, to a relatively low 130 basis points.

History suggests that the dollar needs a greater interest rate premium over the D-Mark in order to appreciate.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said the chances of US interest rates rising in March appeared to be receding.

"The picture that is developing in the markets is that the Fed is about to pack its bags, believing it has won the inflationary game. The Bundesbank, on the other hand, is limbering up on the track to start its fight with inflation," said Mr Persaud.

Added to this is the perception that the Bundesbank is happy with the strong D-Mark, *because it strengthens its hand* in combatting imported inflation, an area of concern.

The Fed, on the other hand, is seen as being able to live with D-Mark strength because the dollar is not weak on a trade-weighted basis. Mr Persaud notes that about one third of US exports go to emerging market regions where the dollar has been fairly stable.

So long as current exchange rates are not considered inflationary, central banks may stay on the sidelines. "Central banks are not targeting exact exchange rate levels. They are targeting the inflationary consequences of exchange rate moves," said Mr Persaud.

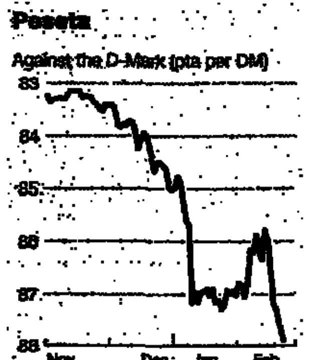
■ Mr Greenspan's comments prompted a rally in interest rate markets. The June eurodollar future finished at 93.29, from 93.19.

Short sterling followed, with the June contract closing at 92.38, from 92.3. Sentiment was also helped by a better than *expected gilt auction.*

Although sterling has stood up reasonably to a rampaging D-Mark, some analysts believe that the current exchange rate does not yet price in much political risk. On this view, continued dollar weakness will drag sterling some way lower against the D-Mark.

The Bank of England provided UK money markets with £55m late assistance, and £13m at established rates, after forecasting a £400m shortage. Three month LIBOR remained at 6% per cent.

Peseta



■ Pound in New York

Feb 22	—Latest—	—Prev. close—
£ spot	1.5875	1.5857
1 mth	1.5869	1.5851
3 mth	1.5861	1.5838
1 yr	1.5749	1.5739

■ OTHER CURRENCIES

Feb 22	£	$
Hungary	180.523 - 181.033	113.940 - 114.040
Iran	2761.00 - 2764.00	1748.00 - 1750.00
Kuwait	0.4720 - 0.4726	0.2974 - 0.2977
Poland	3.8358 - 3.8418	2.4170 - 2.4200
Russia	7006.30 - 7011.10	4415.00 - 4417.00
U.A.E.	5.8284 - 5.8310	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3924	-0.0809	858 - 989	16.5365	16.3751	16.3799	0.9	16.3462	1.1	-	-	106.6
Belgium	(BFr)	48.0175	-0.1673	020 - 330	48.3000	47.9270	47.9675	1.2	47.8525	1.4	47.3125	1.5	108.5
Denmark	(DKr)	9.2181	-0.0211	138 - 223	9.2532	9.1955	9.2134	0.6	9.2018	0.7	9.1419	0.8	107.6
Finland	(FM)	7.2010	-0.025	959 - 061	7.2570	7.1910	-	-	-	-	-	-	85.5
France	(FFr)	8.1498	+0.0021	469 - 526	8.1807	8.1173	8.1432	1.0	8.1324	0.9	8.0688	1.0	108.0
Germany	(DM)	2.3299	-0.0091	289 - 309	2.3413	2.3263	2.3272	1.4	2.32	1.7	2.2846	1.9	111.2
Greece	(Dr)	371.337	+2.319	041 - 634	371.634	366.764	-	-	-	-	-	-	68.7
Ireland	(I£)	1.0036	-0.0005	030 - 042	1.0051	0.9999	1.003	0.7	1.0023	0.5	1.0007	0.3	97.1
Italy	(L)	2573.17	+19.19	253 - 381	2583.60	2555.01	2577.02	-1.8	2587.52	-2.2	2636.22	-2.5	71.1
Luxembourg	(LFr)	48.0175	-0.1673	020 - 330	48.3000	47.9270	47.9675	1.2	47.8525	1.4	47.3125	1.5	108.5
Netherlands	(Fl)	2.6133	-0.0093	120 - 145	2.6243	2.6094	2.6101	1.4	2.6031	1.6	2.5641	1.9	108.5
Norway	(NKr)	10.2656	-0.0282	612 - 700	10.3291	10.2396	10.2643	0.2	10.2624	0.1	10.2502	0.2	98.9
Portugal	(Es)	241.849	-0.796	732 - 967	243.477	241.718	242.449	-3.0	244.098	-3.7	-	-	96.3
Spain	(Pta)	204.938	+0.344	850 - 026	205.209	204.145	205.248	-1.8	205.968	-2.0	209.468	-2.2	79.0
Sweden	(SKr)	11.5632	-0.0063	534 - 729	11.6390	11.5198	11.5685	-0.5	11.6047	-1.4	11.6902	-1.1	80.6
Switzerland	(SFr)	1.9753	-0.0018	742 - 764	1.9829	1.9673	1.9706	2.7	1.9616	2.8	1.9141	3.1	109.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.1
Ecu	-	1.2468	-0.0014	461 - 474	1.2508	1.2441	1.2462	0.6	1.245	0.6	1.2373	0.8	-
SDR†	-	0.943667	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5875	+0.0065	872 - 878	1.5887	1.5798	-	-	-	-	-	-	-
Brazil	(Cr)	1.3436	+0.0133	410 - 462	1.3462	1.3376	-	-	-	-	-	-	-
Canada	(C$)	2.2164	+0.0053	156 - 171	2.2243	2.2111	2.2198	-1.8	2.2269	-1.9	2.2385	-1.0	81.9
Mexico (New Peso)		9.1505	+0.808	094 - 916	9.1339	8.8603	-	-	-	-	-	-	-
USA	($)	1.5873	+0.0064	870 - 875	1.5885	1.5795	1.5868	0.4	1.5855	0.5	1.576	0.7	93.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1521	+0.0202	510 - 531	2.1547	2.1510	2.1538	-1.0	2.1605	-1.6	2.1835	-1.5	84.3
Hong Kong	(HK$)	12.2703	+0.0498	675 - 730	12.2791	12.2114	12.2683	0.1	12.2958	-0.8	12.1958	0.6	-
India	(Rs)	49.7980	+0.1869	842 - 118	49.8310	49.5690	-	-	-	-	-	-	-
Israel	(Shk)	4.7618	+0.0055	562 - 674	4.7721	4.7507	-	-	-	-	-	-	-
Japan	(Y)	153.924	-0.09	860 - 988	154.140	153.570	153.394	4.1	152.259	4.3	146.264	5.0	150.3
Malaysia	(M$)	4.0536	+0.0162	521 - 550	4.0559	4.0348	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5006	+0.0112	992 - 020	2.5042	2.4992	2.5046	-1.9	2.5136	-2.1	2.5427	-1.7	97.5
Philipines	(Peso)	40.0781	+0.1932	924 - 638	40.1638	39.9924	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9528	+0.0242	516 - 539	5.9572	5.9244	-	-	-	-	-	-	-
Singapore	(S$)	2.3066	+0.0091	054 - 077	2.3077	2.2963	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.7018	+0.0738	997 - 039	5.7051	5.6320	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.0792	+0.0166	623 - 960	6.1220	6.0340	-	-	-	-	-	-	-
South Korea	(Won)	1252.34	+5.44	183 - 286	1254.61	1248.54	-	-	-	-	-	-	-
Taiwan	(T$)	41.8415	+0.1762	325 - 505	41.8721	41.6396	-	-	-	-	-	-	-
Thailand	(Bt)	39.5940	+0.1517	798 - 081	39.6170	39.3930	-	-	-	-	-	-	-

†SDR rates for Feb 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.3275	-0.093	250 - 300	10.4260	10.3300	10.317	1.2	10.295	1.3	10.1765	1.5	106.1
Belgium	(BFr)	30.2520	-0.2263	470 - 570	30.4800	30.2270	30.2295	0.9	30.182	0.9	30.017	0.8	207.9
Denmark	(DKr)	5.8076	-0.0368	058 - 093	5.8494	5.7910	5.8058	0.4	5.8026	0.3	5.7946	0.2	106.4
Finland	(FM)	4.5368	-0.0342	343 - 393	4.5885	4.5322	4.5341	0.7	4.5298	0.6	4.5193	0.4	84.3
France	(FFr)	5.1345	-0.0196	335 - 355	5.1695	5.1210	5.1322	0.5	5.1295	0.4	5.119	0.3	107.4
Germany	(DM)	1.4679	-0.0117	675 - 683	1.4800	1.4668	1.4667	1.0	1.4636	1.2	1.4494	1.3	110.1
Greece	(Dr)	233.950	+0.52	800 - 100	233.800	231.850	236.35	-12.3	240.7	-11.5	258.95	-10.7	68.4
Ireland	(I£)	1.5816	+0.0071	808 - 823	1.5847	1.5738	1.5821	-0.4	1.581	0.2	1.5784	0.2	-
Italy	(L)	1621.15	+5.57	100 - 130	1631.50	1612.50	1624.2	-2.3	1632.15	-2.7	1672.65	-3.2	71.2
Luxembourg	(LFr)	30.2520	-0.2263	470 - 570	30.4800	30.2270	30.2295	0.9	30.182	0.9	30.017	0.8	107.9
Netherlands	(Fl)	1.6464	-0.0126	458 - 469	1.6594	1.6452	1.6451	1.0	1.6419	1.1	1.6267	1.2	107.7
Norway	(NKr)	6.4676	-0.0427	658 - 693	6.5192	6.4485	6.4619	1.1	6.4561	0.7	6.4251	0.7	97.7
Portugal	(Es)	152.370	-1.12	320 - 420	153.480	152.300	152.765	-3.1	153.695	-3.5	157.945	-3.7	96.2
Spain	(Pta)	129.115	-0.305	080 - 150	129.700	128.850	129.36	-2.3	129.92	-2.5	132.915	-2.9	78.6
Sweden	(SKr)	7.2850	-0.0348	800 - 900	7.3636	7.2680	7.2963	-1.7	7.317	-1.8	7.4085	-1.7	80.1
Switzerland	(SFr)	1.2445	-0.0061	440 - 450	1.2535	1.2407	1.2421	2.3	1.2373	2.3	1.2142	2.4	108.9
UK	(£)	1.5873	+0.0064	870 - 875	1.5885	1.5785	1.5868	0.4	1.5855	0.5	1.576	0.7	86.5
Ecu	-	1.2731	+0.0065	726 - 736	1.2745	1.2647	1.2733	-0.2	1.2734	-0.1	1.2739	-0.1	-
SDR†	-	1.49071	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	+0.0001	001 - 002	1.0001	1.0002	-	-	-	-	-	-	-
Brazil	(Cr)	0.8465	+0.005	450 - 480	0.8480	0.8450	-	-	-	-	-	-	-
Canada	(C$)	1.3964	-0.0023	961 - 966	1.4020	1.3957	1.3991	-2.3	1.4048	-2.4	1.4204	-1.7	80.8
Mexico (New Peso)		5.7650	+0.36	400 - 900	5.8000	5.7400	5.7658	-0.2	5.7662	-0.1	5.7676	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3557	+0.0073	554 - 563	1.3626	1.3554	1.3575	-1.6	1.3621	-1.9	1.3869	-2.3	85.9
Hong Kong	(HK$)	7.7305	+0.0002	300 - 310	7.7310	7.7300	7.7317	-0.2	7.7327	-0.1	7.7375	-0.1	-
India	(Rs)	31.3738	-0.0087	700 - 775	31.3925	31.3700	31.4536	-3.1	31.6988	-4.1	-	-	-
Israel	(Shk)	3.0001	-0.0086	970 - 031	3.0082	2.9970	-	-	-	-	-	-	-
Japan	(Y)	96.9750	-0.45	500 - 000	97.4300	96.8700	96.675	3.7	96.035	3.9	92.77	4.3	150.8
Malaysia	(M$)	2.5538	-0.0001	533 - 543	2.5543	2.5528	2.5518	0.9	2.5473	1.0	2.5313	0.9	-
New Zealand	(NZ$)	1.5753	+0.0007	748 - 760	1.5835	1.5748	1.578	-2.1	1.5856	-2.6	1.6123	-2.3	-
Philipines	(Peso)	25.2500	+0.02	000 - 000	25.3000	25.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0001	502 - 505	3.7505	3.7502	3.753	-0.8	3.7563	-0.6	3.7679	-0.5	-
Singapore	(S$)	1.4532	-0.0001	527 - 537	1.4540	1.4515	1.4483	4.1	1.4429	2.8	1.4195	2.3	-
S Africa (Com.)	(R)	3.5923	+0.032	915 - 930	3.5970	3.5540	3.6058	-4.5	3.6405	-5.4	3.8098	-6.1	-
S Africa (Fin.)	(R)	3.8300	-0.005	200 - 400	3.8700	3.8050	3.8575	-8.6	3.9075	-8.1	4.14	-8.1	-
South Korea	(Won)	789.000	+0.25	800 - 200	791.500	787.500	792	-4.6	795.5	-3.3	814	-3.2	-
Taiwan	(T$)	26.3610	+0.0047	595 - 625	26.3630	26.3590	26.381	-0.9	26.421	-0.9	-	-	-
Thailand	(Bt)	24.9450	-0.005	400 - 500	24.9550	24.9400	24.9575	-0.6	24.9715	-0.4	24.9975	-0.2	-

†SDR rate for Feb 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 21. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	4 7/8	5 3/8	5 1/2	6	6 1/8	7.40	4.50	-
week ago	4 7/8	5 3/8	5 1/2	5 3/4	6 1/4	7.40	4.50	-
France	5 5/8	5 3/4	5 5/8	6 1/4	6 3/4	5.00	-	6.40
week ago	5 5/8	5 3/4	5 3/4	6 1/8	6 3/4	5.00	-	6.40
Germany	4.88	4.95	5.05	5.23	5.68	6.00	4.50	4.85
week ago	4.93	4.95	5.05	5.20	5.65	6.00	4.50	4.85
Ireland	5 1/4	5 7/8	6 1/2	6 7/8	7 3/8	-	-	6.25
week ago	5 1/4	5 3/4	6 1/2	6 7/8	7 3/4	-	-	6.25
Italy	8 1/4	9 1/4	9 1/2	9 7/8	10 3/8	-	7.50	8.35
week ago	8 1/4	9 1/4	8 7/8	9 5/8	10 1/4	-	7.50	8.20
Netherlands	4.84	5.02	5.12	5.32	5.80	-	5.25	-
week ago	4.84	5.02	5.10	5.28	5.76	-	5.25	-
Switzerland	3 3/8	3 3/8	3 3/8	4 1/8	4 1/2	6.625	3.50	-
week ago	3 1/4	3 3/8	3 1/2	4 1/4	4 1/2	6.625	3.50	-
US	6	6 1/4	6 1/4	6 1/2	6 7/8	-	5.25	-
week ago	6 1/8	6 1/4	6 1/4	6 1/2	7 1/8	-	5.25	-
Japan	2 1/8	2 1/4	2 1/4	2 3/8	2 1/2	-	1.75	-
week ago	2 1/8	2 1/4	2 1/4	2 3/8	2 1/2	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6 1/8	6 1/4	6 1/2	7	-	-	-
week ago	-	6 1/8	6 1/4	6 1/2	7 1/8	-	-	-
US Dollar CDs	-	5.92	6.04	6.29	6.80	-	-	-
week ago	-	5.92	6.07	6.35	6.96	-	-	-
SDR Linked Ds	-	4 1/4	4 1/2	5 1/8	5 1/4	-	-	-
week ago	-	4 1/4	4.438	4.688	5.188	-	-	-

ECU Linked Ds mid rates: 1 mth: 5 7/8; 3 mths: 6 1/4; 6 mths: 6 5/8; 1 year: 6 7/8. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 - 5 7/8	5 7/8 - 5 3/4	5 [illegible] - 5 [illegible]	5 5/8 - 5 1/2	5 [illegible] - 5 [illegible]	6 [illegible] - 6 [illegible]
Danish Krone	5 3/4 - 5 1/4	5 3/4 - 5 1/2	5 3/4 - 5 1/2	6 - 5 [illegible]	6 [illegible] - 6 [illegible]	6 [illegible] - 6 5/8
D-Mark	4 [illegible] - 4 [illegible]	4 [illegible] - 4 [illegible]	5 - 4 7/8	5 1/8 - 5	5 [illegible] - 5 [illegible]	5 [illegible] - 5 [illegible]
Dutch Guilder	5 - 4 [illegible]	5 [illegible] - 4 7/8	5 [illegible] - 4 [illegible]	5 1/8 - 5 [illegible]	5 [illegible] - 5 [illegible]	5 [illegible] - 5 [illegible]
French Franc	5 3/8 - 5 1/4	5 [illegible] - 5 [illegible]	5 [illegible] - 5 [illegible]	5 7/8 - 5 3/4	6 1/4 - 6 1/8	6 3/4 - 6 5/8
Portuguese Esc.	8 [illegible] - 8 5/8	9 - 8 3/4	9 [illegible] - 9 1/8	10 1/4 - 10	10 3/4 - 10 1/2	11 1/4 - 10 [illegible]
Spanish Peseta	8 1/8 - 8 [illegible]	8 [illegible] - 8 [illegible]	8 [illegible] - 8 [illegible]	8 3/4 - 8 5/8	9 1/4 - 9 1/8	10 [illegible] - 9 [illegible]
Sterling	6 7/8 - 6 5/8	6 [illegible] - 6 [illegible]	6 [illegible] - 6 1/2	6 3/4 - 6 [illegible]	7 1/8 - 7 [illegible]	7 [illegible] - 7 [illegible]
Swiss Franc	3 3/8 - 3 1/4	3 1/2 - 3 3/8	3 [illegible] - 3 [illegible]	3 [illegible] - 3 [illegible]	4 [illegible] - 3 [illegible]	4 [illegible] - 4 [illegible]
Can. Dollar	7 [illegible] - 7 1/4	8 1/8 - 7 7/8	8 [illegible] - 7 [illegible]	8 1/4 - 8 1/8	8 [illegible] - 8 [illegible]	8 [illegible] - 8 [illegible]
US Dollar	6 [illegible] - 5 [illegible]	6 [illegible] - 5 [illegible]	6 [illegible] - 5 [illegible]	6 1/4 - 6 1/8	6 1/2 - 6 3/8	7 - 6 7/8
Italian Lira	9 - 7 1/2	8 7/8 - 8 3/4	9 1/4 - 8 [illegible]	9 [illegible] - 9 1/4	9 1/2 - 9 3/8	10 5/8 - 10 1/2
Yen	2 [illegible] - 2 1/8	2 [illegible] - 2 1/8	2 [illegible] - 2 [illegible]	2 [illegible] - 2 [illegible]	2 [illegible] - 2 [illegible]	2 [illegible] - 2 [illegible]
Asian $Sing	2 1/8 - 2	1 7/8 - 1 3/4	2 1/4 - 2 1/8	2 1/4 - 2 1/8	3 3/8 - 3 1/4	4 [illegible] - 3 [illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.84	93.86	-0.06	93.89	93.80	24,996	46,872
Jun	93.28	93.28	-0.10	93.32	93.22	44,718	50,644
Sep	92.96	92.97	-0.09	93.00	92.91	13,536	36,931
Dec	92.69	92.72	-0.09	92.76	92.67	5,390	20,414

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.70	+0.03			0	1564
Jun		93.29	+0.10			0	555
Sep		92.96	+0.11			0	207
Dec		92.66	+0.13			0	270

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.81	94.82	-0.02	94.82	94.80	23869	167094
Jun	94.41	94.41	-0.03	94.44	94.37	58907	195630
Sep	93.98	93.98	-0.05	94.02	93.95	35101	120309
Dec	93.61	93.57	-0.06	93.62	93.55	19714	89863

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.35	90.26	-0.41	90.42	90.13	16019	33305
Jun	89.43	89.56	-0.30	89.73	89.25	17563	33165
Sep	89.00	89.17	-0.27	89.33	88.99	5869	28093
Dec	88.80	88.92	-0.22	89.06	88.80	1551	14903

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.99	95.98	-0.02	96.02	95.98	1962	17985
Jun	95.61	95.61	-0.04	95.65	95.61	3161	17673
Sep	95.30	95.30	-0.05	95.34	95.30	1744	6963
Dec	95.03	95.02	-0.06	95.06	95.02	720	5816

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.65	93.65	-0.11	93.69	93.62	1218	9816
Jun	93.10	93.14	-0.10	93.19	93.10	1282	7542
Sep	92.70	92.71	-0.08	92.75	92.70	746	4007
Dec	92.29	92.31	-0.04	92.35	92.29	310	1975

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.20	16.97	4.850	2.091	5358	5.441	21.37	503.5	426.7	24.07	4.113	2.082	4.615	3.305	320.5	2.597
Denmark	(DKr)	52.09	10	8.840	2.527	1.089	2791	2.835	11.13	262.3	222.3	12.54	2.143	1.085	2.404	1.722	167.0	1.353
France	(FFr)	58.93	11.31	10	2.858	1.232	3157	3.207	12.59	296.7	251.4	14.19	2.424	1.227	2.719	1.947	188.9	1.530
Germany	(DM)	20.62	3.958	3.499	1	0.431	1105	1.122	4.405	103.8	87.98	4.964	0.848	0.429	0.951	0.681	66.08	0.535
Ireland	(I£)	47.83	9.181	8.117	2.320	1	2563	2.603	10.22	240.8	204.1	11.51	1.967	0.996	2.207	1.581	153.3	1.242
Italy	(L)	1.866	0.358	0.317	0.091	0.039	100.	0.102	0.399	9.398	7.963	0.449	0.077	0.039	0.086	0.062	5.981	0.048
Netherlands	(Fl)	18.38	3.528	3.119	0.891	0.384	984.7	1	3.927	92.54	78.42	4.424	0.756	0.383	0.848	0.607	58.90	0.477
Norway	(NKr)	46.80	8.984	7.942	2.270	0.979	2508	2.547	10	235.7	199.7	11.27	1.925	0.975	2.160	1.547	150.0	1.216
Portugal	(Es)	19.86	3.812	3.370	0.963	0.415	1064	1.081	4.243	100.	84.74	4.781	0.817	0.414	0.916	0.656	63.65	0.516
Spain	(Pta)	23.44	4.499	3.977	1.137	0.490	1256	1.275	5.007	118.0	100.	5.642	0.964	0.488	1.082	0.775	75.11	0.609
Sweden	(SKr)	41.54	7.974	7.049	2.015	0.869	2226	2.260	8.875	209.2	177.2	10	1.708	0.865	1.917	1.373	133.1	1.079
Switzerland	(SFr)	24.31	4.667	4.126	1.179	0.508	1303	1.323	5.195	122.4	103.7	5.853	1	0.506	1.122	0.804	77.92	0.631
UK	(£)	48.02	9.218	8.149	2.329	1.004	2573	2.613	10.26	241.8	204.9	11.56	1.975	1	2.216	1.587	153.9	1.247
Canada	(C$)	21.67	4.160	3.677	1.051	0.453	1161	1.179	4.630	109.1	92.46	5.217	0.891	0.451	1	0.716	69.45	0.563
US	($)	30.26	5.808	5.135	1.468	0.633	1621	1.647	6.465	152.4	129.1	7.284	1.244	0.630	1.396	1	96.98	0.786
Japan	(Y)	31.20	5.990	5.295	1.513	0.652	1672	1.698	6.667	157.1	133.1	7.511	1.283	0.650	1.440	1.031	100.	0.810
Ecu		38.51	7.392	6.535	1.868	0.805	2063	2.095	8.228	193.9	164.3	9.270	1.584	0.802	1.777	1.273	123.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6800	0.6776	-0.0016	0.6819	0.6763	37,013	93,768
Jun	0.6813	0.6800	-0.0013	0.6816	0.6784	2,631	8,707
Sep	0.6809	0.6814	-0.0025	0.6814	0.6804	98	810

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0323	1.0304	-0.0015	1.0346	1.0269	24,401	79,262
Jun	1.0450	1.0418	-0.0019	1.0450	1.0400	1,352	9,653
Sep	1.0555	1.5255	-	1.0555	1.0525	10	763

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8052	0.8010	-0.0029	0.8072	0.7990	23,894	44,455
Jun	0.8049	0.8059	-0.0030	0.8106	0.8042	1,238	2,942
Sep	-	0.8106	-	-	0.8095	19	237

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5852	1.5824	-0.0014	1.5868	1.5800	11,806	46,767
Jun	1.5806	1.5804	-0.0010	1.5820	1.5800	170	1,792
Sep	-	1.5780	-	-	1.5770	8	10

UK INTEREST RATES

LONDON MONEY RATES

Feb 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 5 3/4	6 1/8 - 6	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	7 [illegible] - 7 [illegible]	7 7/8 - 7 3/4
Sterling CDs	-	-	6 [illegible] - 6 [illegible]	6 [illegible] - 6 5/8	7 [illegible] - 7	7 3/4 - 7 5/8
Treasury Bills	-	-	6 3/8 - 6 [illegible]	6 1/2 - 6 3/8	-	-
Bank Bills	-	-	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	6 7/8 - 6 3/4	-
Local authority deps.	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	6 3/4 - 6 5/8	7 [illegible] - 6 [illegible]	7 [illegible] - 7 [illegible]
Discount Market deps	7 - 6	6 1/4 - 6 [illegible]	-	-	-	-

UK clearing bank base lending rate 6 3/4 per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5 3/4	5 3/4	6	6 1/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/2pc. Ave. tender rate of discount 6.1553pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1995. Agreed rate for period Feb 26, 1995 to Mar 25, 1995, Schemes II & III 7.87pc. Reference rate for period Dec 31, 1994 to Jan 31, 1995, Schemes IV & V 6.624pc. Finance House Base Rate 7pc from Feb 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.04	93.06	+0.02	93.09	93.03	11890	72770
Jun	92.28	92.38	+0.08	92.42	92.26	39034	96395
Sep	91.79	91.89	+0.07	91.92	91.77	15927	69232
Dec	91.45	91.54	+0.07	91.57	91.43	7338	51601

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9300	0.12	0.03	0.05	0.04	0.65	1.16
9325	0.01	0.01	0.03	0.18	0.88	1.39
9350	0	0	0.01	0.42	1.12	1.62

Est. vol. total, Calls 20742 Puts 11739. Previous day's open int., Calls 209309 Puts 189375

EMS EUROPEAN CURRENCY UNIT RATES

Feb 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.11121	-0.00058	-3.89	11.36	-
Belgium	40.2123	38.7874	-0.0115	-3.54	10.96	25
Germany	1.94964	1.88269	-0.00065	-3.43	10.83	-
Austria	13.7167	13.7167	-0.0041	-3.51	10.78	-
Ireland	0.808628	0.808253	-0.00172	-0.05	7.07	-1
Denmark	7.43679	7.44349	+0.00068	0.09	6.93	-2
France	6.53883	6.57412	+0.01144	0.54	6.45	-6
Portugal	192.854	195.377	-0.139	1.31	5.64	-10
Spain	154.250	165.085	+0.131	7.02	0.00	-50
NON ERM MEMBERS						
Greece	264.513	297.699	+0.5	12.54	-4.90	-
Italy	1793.19	2070.25	+7.88	15.45	-7.30	-
UK	0.786749	0.804781	-0.00355	2.29	4.63	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.500	8.06	8.06	8.16	-	0.08	0.26
1.525	5.65	5.86	6.11	-	0.30	0.65
1.550	3.31	3.85	4.27	0.13	0.78	1.27
1.575	1.45	2.30	2.76	0.72	1.65	2.23
1.600	0.41	1.20	1.71	2.17	2.99	3.54
1.625	0.05	0.55	0.96	4.25	4.81	5.26

Previous day's vol., Calls 10,144 Puts 7,479 . Prev. day's open int., Calls 263,681 Puts 326,374

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.67	93.66	-	93.68	93.65	37,837	388,011
Jun	93.18	93.17	-0.01	93.20	93.16	67,759	420,468
Sep	92.81	92.80	-0.02	92.84	92.79	65,345	277,228

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.23	94.23	-	94.23	94.22	1,567	5,713
Jun	93.77	93.75	-0.01	93.77	93.75	1,299	11,707
Sep	93.42	93.39	-	93.42	93.39	97	6,602

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9475	0.11	0.02	0.04	0.06	0.04	0.36	0.38	0.40
9500	0.01	0	0.01	0.02	0.19	0.59	0.60	0.61
9525	0	0	0	0.01	0.43	0.84	0.84	0.85

Est. vol. total, Calls 6300 Puts 12218. Previous day's open int., Calls 180109 Puts 281952

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.25	0.09	0.06	0.01	0.29	0.51
9600	0.04	0.03	0.02	0.05	0.42	0.72
9625	0.01	0	0.01	0.27	0.64	0.96

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1795 Puts 2010

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	•Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf	97	–1	117	[illegible]	12.1	10.3	–
9¼pc Non-Cum Prf	118	+¼	137½	107	47.2	10.3	–
Cater Allen	437	+2	[illegible]	433	142.5	8.1	9.0
Close Bros	233	–	[illegible]	203	221.8	4.0	10.6
Gerrard & Nat	436	+1	615	385	212.3	6.9	12.6
Hambros	231	–1	473	209	407.7	8.1	14.2
7½pc Cv Pf	101xd	–	161	99½	130.1	9.9	–
Joseph (L)	388	–	443	383	39.8	5.8	11.4
King & Shaxson	97	–	170	95	18.9	11.6	9.6
Kleinwort Benson	621	–14	665	424	828.4	4.4	11.8
Rea Bros	62	–	79	53	25.7	1.9	17.4
Schroders	1810	–	1574	1050	1,510	1.5	13.8
N/V	1363	+11	1458	1043	392.4	1.7	12.4
Singer & Fried	89	–1	114	75	101.2	4.7	10.7
Union	84	–1	150	84	22.3	6.7	7.6
Warburg (SG)	719	+5	1012	569	1,581	3.8	13.2
Wintrust	230xd	–	380	203	10.7	6.0	14.7

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

Notes	Price	+ or -	1994/95 high	low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue							
Aberforth Split Inc ... N	88xd	----	97	84	12.0	-	-
Cap	164	----	225	160	-	252.6	35.1
Units ... N	252xd	----	320	251	4.2	262.6	4.0
Abtrust Pf Inc ... $N☐	100	----	148	98	15.9	87.6	-12.4
Zero Div Pf	165½	----	167½	153½	-	-	-
Archimedes Inc ... N	232	----	276	220	14.3	-	-
Cap	395	----	433	355	-	618.8	35.7
City of Oxford ... $N☐	39½xd	----	48	30	20.5	25.0	-18.0
Warrants	8	----	16	6	-	-	-
Zero Div Pf	99½	----	104¼	96½	-	-	-
Conbra-Cycl Inc ... $N	56xd	----	86	56	20.5	-	-
Cap ☐	19½	----	25½	19½	-	41.0	52.4
Zero Div Pf	85	----	87½	80	-	-	-
Dunae Inc ... $N	76xd	----	95	76	12.1	-	-
Cap	33	----	48	33	-	62.8	47.5
Derby Inc ... HN	156xd	----	178	147	13.5	-	-
Cap	295	----	326	268	-	443.2	33.4
Drayton Blue Chip . $N☐	58	----	100	58	18.1	55.0	-5.2
Zero Pf	162	----	168	154	-	-	-
Edinburgh Income . $N☐	45	----	81	45	10.9	36.8	-20.0
Zero Div Pf	61¼	----	62	55½	-	-	-
Exeter Dual ... $N	24	----	44	23	8.3	30.5	21.5
Inc ... N	62xd	-1	66	62	10.2	-	-
Zero Cpn Pf	244	----	262	241	-	-	-
Finsbury Smlr Co's . $N	156xd	----	193	158	2.7	162.9	2.4
Zero Pf	182	+½	182	177	-	-	-
Fleming Geared Inc ... $N	168xd	----	251	168	1.5	238.3	29.1
Warrants	114	----	220	114	-	-	-
Cm Ptg Pf	158	----	166	154	10.0	-	-
Fleming I & C Inc . $N☐	72½xd	----	101½	69½	8.4	76.2	4.9
Units ... N☐	119xd	-½	150	116	5.1	116.9	-1.8
Zero Div Pf	47	-¼	48	41¼	-	-	-
Fleming Int High $N☐	30xd	----	52½	30	14.9	33.4	10.2
Zero Div Pf	100	+¼	103	96¼	-	-	-
For & Col SUIT Sp Inc $N☐	61½	----	76	61	7.6	-	-
Capital ☐	63	----	63½	41	-	66.0	4.5
Units ... N☐	124	----	133	105½	3.9	125.4	1.1
Friends Prov Ethical . $N☐	57xd	----	103	57	14.2	[illegible]	[illegible]

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's
TVX Gold ... ♥	394¼p	+1	480½p	338¼p	624.9	-
Toronto-Dom	9⅛	-½	11¼	8⅛	2,821	4.1
Trans Can Pipe ... ♥	8⅞	-⅛	10⅜	7⅛	1,471	4.7

SOUTH AFRICANS

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£28	----	£34	£13½	1,892	2.5	21.2
Barlow ... ♣	£5⅞	----	£5¾	£3⅞	1,328	1.7	20.5
Gold Flds Prop R.	143xd	----	192	75	14.8	7.4	ɸ
NK Props	85	----	98	85	3.42	13.8	-
SASOL ... ♥	407	----	582	280	2,809	2.8	-
SA Brews ... †	£14⅞	—	£16⅞	£10	4,128	1.9	23.7
Tiger Oats	725	----	838	538	1,090	2.1	17.4
Tongaat-Hulett ... ††	782	-	*782	358¼	694.5	1.8	22.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion.

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FT Cityline

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FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Pembroke Hall, Pembroke, Bermuda

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

Clan European Asset Value Fund
NAV Feb 16 $9.82 +0.11 –
Clemente Korea Emerging Growth Fund
NAV Feb 17 $12.74 –0.72 –
Credis Investment Funds

Murray Universal, Sicav

NICAM Asia Pacific Umbrella Fund

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV
NAV $10.53 –0.20 –
Nomura Rosenberg Alpha Fund Mark II

Pacific Basin Growth Fund

Pan-Holding SA

Rosenberg Global Mngt Co SA (z)

Rosenberg Management SA (x)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Share prices struggle to sustain closing rally

By Terry Byland,
UK Stock Market Editor

A sluggish trading session in UK equities yesterday was featured by the Hanson group's plan to demerge 34 core businesses in the US. Hanson shares headed the list of active stocks, and the implications of the move for the group's strategic policies revived speculation among a number of possible bid targets.

However, across the broad range of international blue chips the focus was the speech to the US Senate Banking Committee by Mr Alan Greenspan, the chairman of the Federal Reserve. His comments on the progress of the US economy inspired a firm opening on Wall Street, but London's attempt to follow suit was checked when the US dollar responded less favourably to Mr Greenspan's speech.

At its final reading of 3,019.5, the FT-SE 100 Index was down a net 3.9. Early trading saw the Footsie drop to 3,006.8 as the dollar at first dipped to a 28-month low against the D-Mark. Also unsettling UK markets during the morning were prospects for the day's auction of £2bn of British government bonds, expected publication of the framework document on the Ulster negotiations and revised gross domestic data for the 1994 final quarter.

The bond auction passed off comfortably, the dollar rallied and the GDP data supported existing views on the progress of the UK economy. Share prices recovered their early losses before falling back again, as the markets awaited Mr Greenspan's Humphrey-Hawkins testimony. UK stocks turned firmer as the Dow opened higher but, by the London close, the Dow's gain had been trimmed to 15 points.

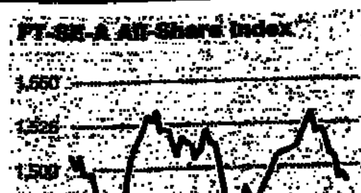
Turnover in Hanson made up around 6.7 per cent of the day's total volume, as measured through the Seaq electronic trading network. From the point of view of the market as a whole, the sharp cut in Hanson's debt from 58 per cent to 38 per cent of equity strengthened the group's ability to expand. This opened up a tantalising vista of the bid developments, which have in the past been the group's favoured route for expansion.

A number of well identified takeover targets in the retailing and utility sectors were quick to take the hint and rose sharply. The stock market will also benefit from the cash input from the special dividend payment to Hanson shareholders, most of whom are investment institutions likely to recycle the cash back into securities.

Seaq volume of 519.2m shares compared with 424.8m on Tuesday, when retail, or customer, business in equities was worth £1.1bn. Second line stocks were somewhat out of the picture yesterday, and the FT-SE Mid 250 Index languished at 3,400.5, down 18.9. Analysts noted that the Hanson plans will be less attractive for private investors who may lack sophisticated facilities for handling US investment.

Market strategists sounded cautious in their assessment of the day's developments. The currency markets are expected to continue to influence equities, if only by keeping the big international funds on the sidelines. But firmness in UK bonds, together with the evident undertow of speculative interest, are seen as important and favourable factors behind share prices.

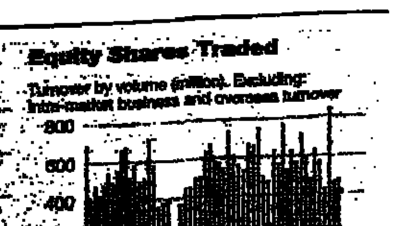
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3019.5	-3.9
FT-SE Mid 250	3400.5	-18.9
FT-SE-A 350	1509.2	-2.9
FT-SE-A All-Share	1493.09	-2.91
FT-SE-A All-Share yield	4.15	(4.14)
FT Ordinary Index	2301.3	+3.1
FT-SE-A Non Fins p/e	17.35	(17.36)
FT-SE100 Fut Mar	3017.0	-10.0
10 yr Gilt yield	8.73	(8.79)
Long gilt/equity yld ratio:	2.11	(2.13)

Best performing sectors

1. Spirits, Wines & Cids ... +1.5
2. Paper, Pckg & Printing ... +1.4
3. Diversified Inds ... +1.3
4. Extractive Inds ... +0.8
5. Electronic & Elec ... +0.7

Worst performing sectors

1. Life Assurance ... -1.4
2. Electricity ... -1.4
3. Other Ser & Bus ... -1.3
4. Insurance ... -1.3
5. Pharmaceuticals ... -0.9

Focus on Hanson plans

Conglomerate Hanson stoked the bid rumours smouldering in the London market. Turnover in its shares approached near record levels after the group announced that it intends to reduce debt by demerging subsidiaries.

The creation of US Industries, representing 34 non-core businesses, will cut the conglomerate's net debt by about £855m to £1.8bn, thus giving the clearest signal so far that it is back on the acquisition trail.

However, the negative elements for the market were: firstly, no actual bid was announced; secondly, the red tape involved in hiving off so many companies at one time would mean a bid could be three months down the road; and thirdly, the move will be earnings dilutive.

A big two-way pull in the shares, after a dramatic mid-morning announcement and a subsequent backwardation, saw them close only 6¾ higher at 242¼p in spite of turnover of 41m. Meanwhile, the shares in perceived bid targets reacted with hope before the announcement and disappointment afterwards.

Argyll rose 7 before slipping back to close unchanged at 268p, while United Biscuits ticked up 2 before ending 4 off at 343p. But marketmakers trading in Yorkshire Electricity, the company most favoured to attract Hanson's attention, registered the heaviest disappointment. They sold the shares down 24 to 829p.

Arjo alert

Paper group **Arjo Wiggins Appleton** jumped 11½ to 238½p, the biggest percentage rise on the FT-SE 100, as speculation swept the market that its principal shareholder is poised to sell out.

St Louis, the French group, has 40 per cent of Arjo's equity and the Anglo-French connection has been considered a source of friction. However, following the death of the president and a senior executive, there is a belief that St Louis's strategy might change.

The controlling stakes in St Louis are owned by Worms, the financial holding company, and Ifil, the industrial holding concern of the Agnelli family. A spokesman for Worms said he had heard the rumours but had no comment to make.

On a more technical level, Arjo shares have underperformed the broad market by 17 per cent over the past three months.

Vodafone strong

The bull stories on Vodafone, the cellular telephones group, continued to drive the shares better. The second best performer in the FT-SE 100, the stock finished 6½ ahead at 191p after heavy turnover of 10m shares.

Traders said the shares had performed strongly in the wake of a buy recommendation from Warburg Securities on Tuesday and after a positive note by Nomura. Helping to drive the stock better was news of the launch of Vodafone's new international PersonalWorld system.

Nomura's telecoms team said Vodafone's profits "should increase, perhaps dramatically, over the next two years as the overseas operations collectively become profitable, UK market growth slows and high spending to attract new customers slows". Nomura expects Vodafone to achieve average earnings growth of above 21 per cent per annum from 1994 to 1997.

UB move seen

Food manufacturer United Biscuits, which this week announced a new chairman, once again attracted attention as rumours that it was about to announce a disposal gained momentum.

Talk in the market suggested that UB would soon announce the sale of Keebler, its US savoury snacks business. A cautious analyst said: "It has been more or less an open secret that the company would like to sell this business, though I would not have thought they would do it in this period."

Bid speculation has been behind the recent jump in the shares but yesterday they lost 4 at 343p on some disappointment that Hanson had not announced a bid for the group.

Dealers braced themselves for the expected increased bid for Northern Electric from Trafalgar House. Some analysts said Trafalgar would only have to lift its offer to £11.50 a share to win control of Northern, but others persist with the view that a knockout £13 all-share exchange is on the cards. Northern gained 11 at 1128p.

East Midlands dropped 15 to 744p and Yorkshire 24 to 829p, reflecting growing disillusionment with the sector and the absence of any of the rumoured takeover moves. Both companies said they were pulling out of electrical goods retailing.

The withdrawal of the two recs from the depressed retailing sector triggered substantial buying of **Kingfisher**, one of the biggest electrical goods retailers via its Comet subsidiary, and also of **Dixons**. The latter edged up 1½ to 209½p in big turnover of 6.4m and Kingfisher settled 10 firmer at 417p on 1.5m traded.

Advertising group **Saatchi & Saatchi** plunged 10 per cent in reaction to confirmation that its US arm had lost the lucrative Mars account. The shares fell 10½ to 94½p, only a few pence above their all-time low.

Analysts, who had already cut their forecasts for the group in January, said the loss could knock a further £4m to £5m off profits. Many forecasts are expected to be below £30m for 1994 and remain unchanged for 1995.

Paper and packaging group David S. Smith moved ahead 11 to 530p because of a fund managers visit.

News of the Ministry of Defence order for its EH101 transport helicopter turned GKN into one of the few engineering bright spots, hoisting the shares 4 to 568p.

According to Smith New Court, the order could be worth £600m in sales and up to £70m in profits for GKN's Westland operations, with the first returns showing through in 1997. But it is the prospect for export business riding in on the back of the MoD deal that makes most analysts lick their lips. This and hopes that – having beaten off rivals with its EH101 transport – GKN can go on to clinch big defence orders for the Apache AH-64D attack helicopter.

Hopes for an extension to the steel cycle on the back of stronger than expected demand pushed British Steel up a further 1¾ to 159p in 6.8m turnover for a two-day advance of more than 4 per cent.

The vote for strike action by the Bavarian branch of IG Metall metal workers union cast a cloud over most motor based shares. BBA slipped a penny to 189p and Lucas shed 5 to 182p, not helped by the appearance of a large line of stock.

Spirits group **Allied Domecq** continued to recover from recent weakness, boosted by recommendations from several brokers.

The shares moved up 10 to 507p in trade of 5.6m, with Cazenove, Kleinwort Benson and Panmure Gordon positive on the stock.

Sentiment in Allied boosted several other stocks in the sector. **Guinness** appreciated 6 to 422p and **Grand Metropolitan** was also 6 better, at 373p, having traded 4m and 4.6m shares respectively.

Tuesday's profits warning from CentreGold, the computer and video games company, continued to exact a toll on the shares, which fell 12 to 48p.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 22	Feb 21	Feb 20	Feb 17	Feb 16	Yr ago	*High	*Low
Ordinary Share	2301.3	2298.2	2297.6	2315.0	2322.8	2576.4	2713.6	2238.3
Ord. div. yield	4.62	4.63	4.61	4.55	4.55	3.57	4.66	3.43
Earn. yld. % full	7.03	7.04	6.98	6.92	6.79	3.89	7.04	3.82
P/E ratio net	16.82	16.79	16.95	17.10	17.40	32.70	33.43	16.79
P/E ratio nil	16.03	16.00	16.16	16.29	16.57	30.14	30.80	16.00

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2294.6	2288.8	2294.3	2300.6	2301.6	2297.3	2299.2	2298.1	2303.6	2305.5	2285.6

	Feb 22	Feb 21	Feb 20	Feb 17	Feb 16	Yr ago
SEAQ bargains	21,012	20,351	19,756	20,520	22,122	29,342
Equity turnover (£m)†	-	1096.7	1130.9	1128.5	1484.0	1710.5
Equity bargains†	-	27,245	28,581	27,800	30,990	32,405
Shares traded (ml)†	-	479.7	476.7	461.9	647.9	714.6

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	348	Total Highs	20	Total contracts	20,021
Total Falls	772	Total Lows	122	Calls	10,774
Same	1,722			Puts	9,247

Feb. 22 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§10	F.P.	17.1	13¼	13	Bath Press	13					
-	F.P.	22.4	87	86	Inv Tst of Inv Tsts	86					
-	F.P.	2.98	59	57	Do. Warrants	57					
-	F.P.	26.0	55	49	Lazard Birla India	50					
-	F.P.	3.05	32½	28¾	Do Warrants	29¼					
35	F.P.	22.1	36	34	MCIT S Cap	34					
35	P.P.	23.4	36	36	MCIT S Inc	36					
100	F.P.	38.5	94	79	Matheson Lloyds	79					
-	F.P.	16.0	130	80	Pentex Oil	30					
150	F.P.	16.1	160	150	Photobition	156		R4.0	2.0	4.8	11.3
-	F.P.	4.50	11¼	10½	Wessex Trust	11¼					
-	F.P.	262.1	128	118	Woodchester Units	125					

FT GOLD MINES INDEX

	Feb 21	% chg on day	Feb 20	Feb 17	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1732.29	-0.3	1737.42	1717.59	[illegible]	[illegible]	[illegible]	[illegible]
■ Regional Indices								
Africa (16)	2686.54	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (7)	1873.20	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (11)	1431.70	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Figures in brackets show number of companies. [illegible]
Predecessor Gold Mines Index: Feb 22: 199.4 [illegible]
Latest prices were unavailable for this edition.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3009.0	3017.0	-10.0	3035.0	3001.0	11302	54645
Jun	3016.0	3025.0	-10.0	3039.0	3018.0	309	13196
Sep		3048.0	-10.0			0	148

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3405.0	-15.0			0	3353
Jun		3426.0	-15.0			0	650

■ FT-SE 100 INDEX OPTION (LIFFE) (*3021) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Mar	174	6	128½	11	87	20½	53½	37	28	62½	13½	98½	5	143	2	193
Apr	182½	19½	144	30½	107½	44½	78	65	53½	90½	34	121	19½	157	11	198½
May	198	28	163	42½	130	58½	100½	79	75½	104½	52	131	37	168½	24	204½
Jun	209½	39	173	51½	141½	69½	112	88½	88	115	66	143	49½	177	34½	213
Dec†			264	98			202	135			154½	185½			112	245

Calls 1,409 Puts 4,695

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825		2875		2925		2975		3025		3075		3125		3175	
Mar	195	4	148½	7½	105	13½	68	26	38½	46½	18	75½	7½	115	3½	160½
Apr	201½	15	169½	23½	124	36½	92	53½	65	76½	44	105	28½	138½	17½	177
May	222½	24½	182½	34½	148	48	113	65	86	87	62	114	43½	145½	29½	181½
Jun	231	35½	184	47	159½	62	129	80	101½	101½	78½	127½	59	156½	43	189½
Sept†	276	55½			202½	84			144	121½			97½	171½		

Calls 1,467 Puts 722 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FT - SE Actuaries Share Indices — The UK Series

	Feb 22	Day's chge%	Feb 21	Feb 20	Feb 17	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3019.5	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	3400.5	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1509.2	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Higher Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Lower Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	1493.09	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,700	351	-½
ASDA Group†	14,000	67¾	-¼
Abbey National†	813	437	+1
Albert Fisher	624	44	
Allied Domecq†	5,600	507	+10
Anglian Water	1,700	484	+1
Argos	2,700	331	
Argyll Group†	4,600	268	
Arjo Wiggins†	3,400	238½	+11½
Assoc. Brit. Foods†	869	589	-6
Assoc. Brit. Ports	873	265	-2
BAA†	2,900	438	-6
BAT Inds.†	5,700	414	-2
BET	5,600	105½	+½
BICC	1,800	341	+1
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CONTRACTS & TENDERS

صكنا من الاصل

هكذا من الاجل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 22 / Sch)

BELGIUM/LUXEMBOURG (Feb 22 / Frs.)

CZECH REP (Feb 14 / Korun)

DENMARK (Feb 22 / Kr)

FINLAND (Feb 22 / Mka)

FRANCE (Feb 22 / Frs.)

GERMANY (Feb 22 / Dm.)

GREECE (Feb 22 / Drachma)

ITALY (Feb 22 / Lira)

NETHERLANDS (Feb 22 / Fls.)

NORWAY (Feb 22 / Kroner)

POLAND (Feb 21 / Zloty)

PORTUGAL (Feb 22 / Escudo)

SPAIN (Feb 22 / Pta.)

SWEDEN (Feb 22 / Kroner)

SWITZERLAND (Feb 22 / Frs.)

TURKEY (Feb 22 / Tk Lira)

PACIFIC

JAPAN (Feb 22 / Yen)

AUSTRALIA (Feb 22 / Aust$)

HONG KONG (Feb 22 / H.K.$)

INDONESIA (Feb 22 / Rupiah)

MALAYSIA (Feb 22 / MYR)

NEW ZEALAND (Feb 22 / NZ $)

SINGAPORE (Feb 22 / S$)

SOUTH KOREA (Feb 22 / Won)

TAIWAN (Feb 22 / TW $)

THAILAND (Feb 22 / Baht)

NORTH AMERICA

CANADA

TORONTO (Feb 22 / Can $)
4 pm close

MONTREAL (Feb 22 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Feb 22 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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INDICES

	Feb 22	Feb 21	Feb 20	1994/5 High		Low	
Argentina							
General (29/12/77)	(u)	12706.11	12640.27	25470.40	18/2/94	12185.81	16/2/95
Australia							
All Ordinaries(1/1/80)	1879.6	1858.0	1852.3	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	836.4	822.8	821.0	1136.10	3/2/94	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	371.26	368.60	365.87	469.86	2/2/94	361.34	3/2/95
Traded Index(2/1/91)	1007.79	997.30	996.82	1222.25	1/2/94	988.39	3/2/95
Belgium							
BEL20 (1/1/91)	1331.03	1337.57	1343.35	1642.85	9/2/94	1331.03	22/2/95
Brazil							
Bovespa (29/12/83)	(u)	27931.0	29616.0	55110.08	13/9/94	3600.90	3/1/94
Canada							
Metals Minls♦(1975)	(u)	3625.07	3915.67	4328.07	18/1/95	3298.06	20/4/94
Composite♦ (1975)	(u)	4101.90	4109.60	4609.80	23/3/94	3869.90	24/6/94
Portfolio§§ (4/1/83)	(u)	2026.69	2021.54	2182.89	1/2/94	1868.48	28/6/94
Chile							
IPCA Gen (31/12/80)	(u)	5226.2	5220.9	5764.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	350.62	353.00	353.01	416.79	2/2/94	335.68	20/12/94
Finland							
HEX General(28/12/90)	1735.3	1742.8	1756.6	1972.00	4/2/94	1661.19	3/1/94
France							
SBF 250 (31/12/90)	1196.99	1197.80	1187.97	1586.26	2/2/94	1178.82	23/1/95
CAC 40(31/12/87)	1804.37	1805.62	1802.24	2355.93	2/2/94	1772.84	22/1/95
Germany							
FAZ Aktien(31/12/58)	781.21	783.35	784.19	859.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2225.2	2233.8	2235.6	2465.50	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2093.16	2097.04	2101.54	2271.11	16/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	820.01	823.13	820.61	1194.58	18/1/94	789.22	9/2/95
Hong Kong							
Hang Seng(31/7/64)	7909.27	8062.29	7908.74	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3233.31	3280.63	3356.73	4628.57	12/9/94	3233.31	22/2/95
Indonesia							
Jakarta Comp.(10/8/82)	454.89	455.83	454.03	612.89	5/1/94	432.96	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1876.80	1882.75	1885.88	2092.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	632.51	641.80	654.31	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	1000.0	1014.0	1034.0	1318.00	10/5/94	979.80	10/1/95
Japan							
Nikkei 225 (16/5/49)	18108.65	18096.25	17956.48	21552.81	13/6/94	17380.74	4/1/94
Nikkei 300 (1/10/82)	257.62	257.56	258.21	311.71	13/6/94	253.71	16/2/95
Topix (4/1/68)	1401.71	1402.24	1395.57	1712.73	13/6/94	1394.17	16/2/95
2nd Section (4/1/68)	1813.69	1813.64	1808.24	2542.65	6/7/94	1805.96	16/2/95
Malaysia							
KLSE Comp.(4/4/86)	941.07	971.10	986.50	1314.46	5/1/94	940.97	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1679.19	1766.14	2881.17	8/2/94	1679.19	22/2/95
Netherland							
CBS TRtnGen(End 83)	440.9	442.2	442.2	464.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	276.5	277.4	277.4	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1984.57	1982.61	1980.45	2439.64	3/2/94	1878.89	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1089.54	1095.59	1110.79	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2598.14	2590.36	2589.66	3308.37	4/1/94	2374.88	24/1/95
Portugal							
BTA (1977)	2745.2	2746.9	2747.3	3226.80	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	504.60	507.11	511.10	641.81	4/1/94	472.80	23/1/95
South Africa							
JSE Gold (28/9/78)	1587.0¶	1588.6	1532.2	2594.00	7/9/94	1495.20	30/1/95
JSE Indl. (28/9/78)	6286.0¶	6281.9	6271.7	6884.40	30/12/94	5446.09	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	919.49	917.75	929.23	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	280.62	281.87	281.70	368.31	31/1/94	273.35	11/1/95
Sweden							
AffarsvarldenGen (1/2/37)	1529.1	1536.8	1532.8	1683.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1248.28	1247.11	1240.37	1423.94	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	917.45	918.18	914.15	1069.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6603.88	6593.08	6612.97	7181.13	1/11/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1265.96	1268.31	1296.99	1753.73	4/1/94	1191.26	23/1/95
Turkey							
Istanbul Cmp.(Jan 1986)	29674.4	29148.3	29030.0	29674.40	22/2/95	12899.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	616.7*	618.9	617.2	649.90	2/11/94	581.80	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1305.02	1309.97	1314.92	1540.19	31/1/94	1288.48	5/10/94
Euro Top-100 (26/6/90)	1160.05	1164.72	1163.70	1311.81	2/2/94	1136.48	5/10/94
JCapelDrgns (31/12/88)	(u)	293.58	291.59	386.19	5/1/94	281.48	23/1/95
Barings Emerg.(7/1/92)	130.27	134.23	134.45	191.79	28/9/94	132.36	17/2/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40							
Feb	1804.0	1802.0	-13.0	1811.0	1795.0	24,469	28,483
Mar	1811.5	1809.0	-13.0	1816.5	1804.0	5,093	25,187
DAX							
Mar	2094.0	2098.0	-10.0	2104.0	2092.0	11,169	
Jun	2114.0	2117.5	-8.0	2123.5	2113.0	128	
OMX							
Feb	1170.00	1166.00	-9.75	1176.00	1166.00	6,313	12,149
Mar	1178.00	1173.00	-9.25	1182.00	1172.50	3,419	14,834
SOFFEX							
Mar	2610.0	2615.5	-1.5	2621.0	2607.5	4,409	13,514
Apr		2625.0					590

** Sat Feb 18: Taiwan Weighted Price 6650.29; Korea Comp Ex 909.44. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 22 - 2088.28 -5.58.

US INDICES

Dow Jones	Feb 21	Feb 17	Feb 16	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3963.97	3953.54	3987.52	3987.52 (16/2/95)	3593.35 (4/4/94)	3987.52 (16/2/95)	41.22 (2/7/32)
Home Bonds	96.44	96.43	96.60	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1572.05	1566.81	1571.94	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	194.11	193.71	194.24	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3969.88 (4001.89) Low 3930.66 (3937.05) (Theoretical♠)
Day's high 3969.89 (3964.16) Low 3952.63 (3953.53) (Actual♠)

Standard and Poors	Feb 21	Feb 17	Feb 16	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	482.74	481.97	485.22	485.22 (16/2/95)	438.92 (4/4/94)	485.22 (16/2/95)	4.40 (1/6/32)
Industrials¶	571.24	570.00	574.05	574.85 (17/2/95)	510.05 (21/4/94)	574.65 (17/2/95)	3.62 (21/6/32)
Financial	46.37	45.52	45.67	46.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.98	261.83	263.27	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	447.51	447.60	447.68	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	784.62	786.97	793.31	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Feb 17	Feb 10	Feb 3	Year ago
Dow Jones Ind. Div. Yield	2.72	2.72	2.73	2.69
	Feb 15	Feb 8	Feb 1	Year ago
S & P Ind. Div. yield	2.36	2.38	2.42	2.36
S & P Ind. P/E ratio	19.57	19.38	18.96	29.09

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
RJR Nabisco	12,069,000	5¾	-⅛
Telefonos	7,500,700	28	-1
Motorola	7,294,100	56¾	+⅞
Shawmut Natl	7,181,800	25	+4⅝
Philip Morris	5,942,400	57⅞	-2⅛
Home Depot	5,561,400	45⅝	-2
Fleet Fnl	3,128,300	30⅝	-3⅛
Westinghse El	3,105,900	15¼	+⅝
Wal-Mart	2,893,500	23⅞	+⅛
Utd Hlth Care	2,795,200	26	—

TRADING ACTIVITY

● Volume (million)

	Feb 21	Feb 17	Feb 16
New York SE	308.060	347.923	360.984
Amex	14.502	14.033	17.882
NASDAQ	249.429	322.982	322.982
NYSE			
Issues Traded	2,980	2,946	2,984
Rises	1,072	909	870
Falls	1,163	1,220	1,335
Unchanged	745	817	759
New Highs	33	42	59
New Lows	30	39	72

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	484.40	484.15	-0.25	484.65	483.95	57,432	198,061
Jun	488.90	488.05	-0.30	489.30	488.00	1,007	20,378
Nikkei 225							
Mar	18200.0	18180.0		18320.0	18170.0	30,889	124,614
Jun	18240.0	18240.0	+20.0	18370.0	18240.0	7,441	40,960

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Wednesday, February 22, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	18.8m	918	-5	Gunma Bank	5.9m	1060	+10
Keio Teito	8.6m	554		Tobu Railway	5.8m	599	+15
Joyo Bank	6.4m	785		Sumitomo Const	5.3m	719	+10
Cosmo Oil	6.3m	645	-6	Toyota Motor	5.0m	1790	-10
Sagami Railway	6.1m	444	+2	77 Bank	4.6m	986	-5

4 pm close February 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¼	13	AAR	0.48	3.5	24	46	13¾	13½	13¾	+⅛
22⅛	18¼	ALPharmaA	0.18	0.9	45	339	21½	20½	20½	-¼
75⅝	70⅛	AMP	1.84	2.4	21	1997	u75½	75⅛	75½	+¼
61⅝	53⅞	AMR			28	7034	59⅞	58¾	59⅝	+⅝
46⅞	41⅞	ASA	1.71	3.8	29	1357	45⅞	44½	45¼	+½
36	30¾	AbbotL	0.84	2.4	18	10863	34⅞	34⅛	34⅝	+½
14	13	AbtMl Pr	0.50	3.7	12	280	13½	13¼	13⅜	+⅛
24⅜	22⅛	ABM Ind	0.60	2.7	13	20	22⅜	22¼	22⅜	+⅛
16⅝	14½	Acpincetn			12	53	16½	16⅜	16⅜	-⅛
25⅞	21⅞	ACE Ltd	0.44	1.8	8	z100	25	25	25	
9¾	9⅛	ACM Gvt In	1.09	12.0	8	1603	9⅜	d9⅛	9⅛	-¼
7½	7⅛	ACM GvOpp	0.80	11.2		826	7¼	d7⅛	7⅛	-⅛
7½	6¾	ACM Gvt Sp	0.96	14.2		905	7	d6⅝	6¾	-¼
8⅝	8	ACM Gvt Se	1.09	13.9		1880	8¼	d7⅞	7⅞	-½
8½	7⅝	ACM Man	1.08	13.7		257	8	7¾	7⅞	
7⅝	7¼	ACM Managd	0.72	9.8		146	7½	7⅜	7⅜	
16¼	10¼	AcmeClv	0.48	3.2	8	14	14⅞	14⅞	14⅞	+¼
21½	12⅜	Acme Elect			20	449	18¼	17⅜	18	+¼
34½	31⅞	Acordia	0.72	2.2	16	65	32⅜	32	32	-⅜
11⅜	8⅝	Actava	0.36	3.5	3	498	10⅝	10⅜	10⅜	-⅛
16¾	12⅝	Acuson			20	1025	13	12¾	12¾	-⅛
16⅝	15⅝	Adams Expr x	0.36	2.2	0	257	16¼	16	16⅛	
64½	53	Ad Micro	3.00	5.0		413	60	58¾	59¾	+⅞
32¼	25	AdvMic	3.00	10.0	8	7501	30⅛	29⅝	30	+¼
6⅞	5	Advest Grp	0.16	2.8	30	16	6¼	6⅛	6⅛	
19¼	16½	Advo Inc	0.10	0.6	15	272	18½	18⅛	18⅛	-¼
67⅞	63⅞	Aegon ADR	1.47	2.1	13	66	u68⅝	67⅞	68½	+⅝
4⅞	3⅞	AerRx			5	168	u4⅞	4¼	4¼	-⅛
53½	46¾	AetnaL	2.76	5.2	12	5846	u53⅝	51⅞	53⅛	+1⅛

[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

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NYSE

AMEX C

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Financial Times. \

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4 pm close February 22

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
36¼	33⅛	SFePPipe	2.80	7.7	9	70	u36¼	36⅛	36¼	
21½	17⅛	SanFeP	0.10	0.5	20	8970	u21⅝	21⅜	21½	
27⅛	24¼	SaraLee	0.68	2.6	52	5820	26	25⅝	25¾	-⅛
45⅛	42	Scana Corp	2.68	6.5	13	248	44⅞	44	44¼	+⅜
16¾	14½	Scecorp	1.00	6.1	10	14377	16⅝	16⅜	16½	
11¼	9⅝	SchawkA	0.28	2.8	35	5	9⅞	9¾	9⅞	+⅛
48¼	42⅛	ScheringP			27	1398	44⅛	43⅛	43⅞	-⅛
79⅛	71	SchPl	2.04	2.6	16	4375	77¾	76¾	77	+⅜
57⅞	50⅛	Schlmb x	1.20	2.1	25	5836	u57⅞	56¾	57¼	+½
45¼	38⅛	Schwab(C)	0.36	0.8	18	1022	43⅞	43⅝	43⅞	
9½	7¾	Schweitzer			7	98	9⅜	9	9⅜	+⅜
22⅞	17½	SciAtl	0.06	0.3	27	1841	22¼	21½	21½	-⅝
18⅛	16⅞	Scotsman	0.10	0.6	11	130	17⅞	17⅝	17⅝	-¼
78¾	67¼	ScottP	0.80	1.0	21	1806	78⅛	76¾	77⅞	+¾
30⅛	26⅞	Scripps	0.44	1.5	18	73	29¼	29	29	-¼
21½	15⅞	[illegible]	0.02	0.1		99	16¼	16	16⅛	-⅛
9¼	8⅞	[illegible]	0.16	1.8		126	9⅛	9	9⅛	
14⅞	13⅞	SeaCnB	0.70	4.8	9	7	14½	14⅜	14½	
15½	15⅛	SeaC1 .4625	1.46	9.6		5	15¼	15¼	15¼	+⅛
28	24	S'gate			7	3143	28⅛	25⅞	25⅞	-⅛
30⅝	28⅞	Seagram	0.60	2.0	14	1585	30⅛	29⅞	30	
19¾	15¼	Seagull En			187	2160	17⅛	16	16⅞	+⅞
41¾	35⅞	Sealed Air			21	373	41¼	40⅞	41	-⅛
49⅞	44⅛	SearsR x	1.60	3.4	15	13886	47⅞	47⅜	47½	+1⅛
12	10⅞	Seligm Sel x	0.84	7.0		92	u12	12	12	
35⅞	28⅛	Sensormat	0.22	0.7	23	2165	28⅜	28⅛	28⅜	-¼
26	21⅞	SequaA	0.60	2.4	9	68	24½	24⅛	24½	+½
27	23	SequaB	0.50	1.9	13	10	26	26	26	
29⅛	26¼	ServCp	0.44	1.5	19	2379	28⅞	28⅝	28⅞	+¼
25	21½	SvMstr	0.92	3.8	13	535	24⅞	24⅜	24½	-½
17⅛	13⅞	Shaw Ind	0.30	1.9	36	2350	16	15¾	15⅞	
25⅝	16½	Shawmut Nt	0.88	3.5	10	35791	u25⅝	25¼	25⅜	+⅜

NASDAQ NATIONAL MARKET

4 pm close February 22

AMEX COMPOSITE PRICES

4 pm close February 22

AMERICA

Dow bets against new interest rate increase

Wall Street

US shares moved ahead yesterday morning as traders bet against another round of interest rate increases, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 17.83 higher at 3,981.80. The more broadly based Standard & Poor's 500 climbed 2.55 to 485.27 and the American Stock Exchange composite rose 0.77 to 448.28.

The Nasdaq composite advanced 2.06 to 786.68 as trading volume on the NYSE came to 195m shares.

In testimony to the Senate banking committee, Mr Alan Greenspan, the chairman of the Federal Reserve, expressed less concern about deeply embedded inflationary pressures than he had in previous testimonies. He said that he believed the economy was now cooling off from last year's level, but felt that price pressures might still emerge at the consumer level.

"The jury remains out on whether the slowing that is in train will be sufficient to contain inflation pressures," he said.

Bonds rose across the maturity spectrum as traders in that market came to the view that the Federal Reserve would not have to lift interest rates again to control inflationary pressures.

For the second consecutive day the market managed to ignore a weaker dollar.

Unlike the bond market the currency market took little comfort from Mr Greenspan's remarks. In intraday trading in New York the US dollar slipped below the two-year low set on Tuesday against the D-Mark, while it also lost ground against the Japanese yen.

In individual shares, interest-rate sensitive issues such as banks were mostly higher. Citicorp rose $1 to $43⅞. First Interstate gained $1⅛ at $80⅞. NationsBank was up $⅝ at $50¼ and Wells Fargo climbed $1⅛ to $158⅞.

American depositary receipts of several Mexican companies skidded as investors worried that the terms of Mexico's aid package from the US were so strict that they would induce recession.

Grupo Tribasa lost $⅜ at $7¼, falling below its 52-week low of $7⅜, and Empresas ICA lost $¼ at $6⅛. However, Telmex, Mexico's benchmark issue, was up $⅛ at $29⅛.

Among other ADRs, News Corp gained $¾ at $18¼ after Merrill Lynch named the company as its "Focus One Stock of the Week", and Hanson rose $¾ to $19⅛ after it announced that it would demerge 34 of its US businesses.

Dell Computer added to the gains made on Tuesday after the company reported that earnings for the fourth quarter were more than triple those of the same period last year. The high technology company appreciated $1⅞ to $45⅞.

Among other technology companies, Microsoft put on $1¼ at $61 and Hewlett-Packard increased $2 to $116⅛, while Apple Computer lost $⅝ at $40⅝ and Digital Equipment eased $¼ to $34⅞.

Canada

Toronto stocks were firmer at midday, helped by a rise in the price of bullion in the US. The TSE-300 index put on 16.30 at 4,118.30 by noon, in volume of 36.5m shares valued at C$514m.

Advancing issues outpaced declines by 298 to 270, with 314 stocks unchanged.

The gold and precious metals index made substantial headway, adding 220.19 at 8,991.56 on a US$1.40 improvement in the April gold price to US$382 an ounce.

Among the most actives, Nova was C$⅛ softer at C$11⅛ and BCE was also down C$⅛, at C$43.

SOUTH AFRICA

Trading in the financial rand dominated activity following indications that the currency unit might be abolished in the near future. A steady gold price kept that sector quiet, with the gold shares index firming 1.3 to 1,567.9. The overall index eased 0.1 to 5,101.7 and industrials put on 4.1 at 6,286.0. Anglos gained 50 cents at R183.50 and Gold Fields rose R1 to R92. Gencor shed 30 cents to R12.50.

Mexico unsettled by rise in rates

Mexican stocks fell heavily at the opening following a substantial increase in domestic interest rates at the central bank's weekly primary auction. But bargain hunting lifted prices later in the morning to leave the IPC down 10.37 at 1,668.82 by midsession, after a low of 1,636.98.

The primary rate on the benchmark 28-day Treasury bills, or cetes, was raised to 59 per cent, the highest level in almost seven years.

Volume was low at just 3.1m shares valued at 14.7m pesos. Cemex, the cement group, saw its B shares fall 10.4 per cent, while the B stock of bottler Femsa dropped 7.2 per cent.

BUENOS AIRES retreated sharply on domestic selling amid an absence of foreign buyers. The Merval index was down 18.47 or 5.3 per cent at 328.58 by midsession, having touched a session's low of 324.92.

SAO PAULO was slightly higher in an unexciting morning session, with most investors remaining absent. The Bovespa index had improved 26 to 27,956 by midday. Turnover was thin at R$109.3m ($129.1m).

Telebras preferred were down 0.4 per cent at R$21, while Electrobras had declined 0.7 per cent to R$144.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

		Dollar terms			Local currency terms		
Market	No. of stocks	Feb. 17 1995	% Change over week	% Change on Dec '94	Feb. 17 1995	% Change over week	% Change on Dec '94
Latin America	(258)	426.52	-8.5	-26.5			
Argentina	(30)	592.00	-10.8	-19.4	363,374.37	-10.8	-19.4
Brazil	(72)	275.78	-8.9	-28.3	871,979,637.8	-7.9	-28.4
Chile	(36)	688.04	-6.7	-12.3	1,155.81	-4.9	-8.3
Colombia[1]	(16)	863.54	-2.5	+6.4	1,298.48	-2.0	+8.6
Mexico	(72)	402.16	-10.4	-33.8	1,015.77	-6.4	-21.3
Peru[2]	(20)	144.95	+5.7	-18.7	194.47	+5.3	-18.2
Venezuela[3]	(12)	410.33	-3.8	-17.1	1,602.36	-3.8	-17.1
Asia	(659)	243.50	+0.4	-2.4			
China[4]	(20)	71.95	+2.6	-5.2	76.70	+2.6	-5.3
South Korea[5]	(159)	118.43	-5.2	-13.4	123.73	-5.2	-12.7
Philippines	(25)	272.83	-2.2	-8.5	331.21	-0.9	-5.7
Taiwan, China[6]	(93)	151.23	+0.7	-8.0	149.66	+0.9	-7.8
India[7]	(103)	103.47	-3.6	-16.2	115.30	-3.7	-16.2
Indonesia[8]	(42)	98.60	+1.0	-1.2	118.72	+0.8	-0.3
Malaysia	(114)	277.72	+1.9	+3.3	261.76	+2.1	+3.3
Pakistan[9]	(36)	330.58	-2.9	-9.7	463.42	-2.9	-9.4
Sri Lanka[10]	(19)	138.83	-3.2	-19.3	150.50	-3.2	-18.9
Thailand	(68)	382.47	+1.4	-0.3	379.28	+1.1	-0.8
Euro/Mid East	(147)	114.92	+3.4	-3.0			
Greece	(40)	221.38	+5.1	-1.9	350.53	+2.9	-4.7
Hungary[11]	(5)	110.59	-2.9	-27.1	152.01	-2.7	-26.4
Jordan	(8)	153.61	+2.3	+2.4	226.13	+1.9	+1.7
Poland[12]	(16)	403.79	+1.8	-14.0	615.20	+0.8	-14.6
Portugal	(29)	117.51	+1.2	-2.9	124.51	-0.7	-6.0
Turkey[13]	(44)	120.17	+4.3	-1.3	2,327.50	+4.5	+5.2
Zimbabwe[14]	(5)	245.93	-4.3	+0.5	303.35	-4.5	+0.6
Composite	(1064)	267.40	-2.8	-13.0			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)June 2 1993.

Latin America's equity markets continue to buckle as the crisis in Mexico weighs on investor sentiment throughout the region, *writes John Pitt.* With one exception the markets have all recorded double digit percentage falls in dollar terms since the start of the year. The exception is Colombia, up by more than 6 per cent over the same period. It is capitalised at just $18bn, compared to Brazil's estimated $155bn, but foreign interest in the country, until recently, has been relatively minimal. Consequently the market has been fairly insulated from the repatriation of foreign funds from its larger neighbours over the past two months. Salomon Brothers comments that positive news from the Colombian government on "strong expectations for economic growth, and falling local interest rates, has further sparked the market; in particular, the government has announced that GDP growth could expand by more than 6 per cent this year and that nominal interest rates could decline from about 45 per cent at present to below 35 per cent by the year-end".

EUROPE

Amsterdam picks holes in Philips report

Conflicting US influences took bourses down on the dollar, and left them unwilling to rise with the Dow, *writes Our Markets Staff.*

AMSTERDAM was a case in point. It saw nearly doubled fourth-quarter earnings from Philips, the electronics group, but the shares fell 70 cents to Fl 55.60 and the AEX index ended 1.66 lower on dollar worries at 408.46.

Commentators picked first on the Philips revelation that currency losses cost it Fl 50m last year, and then on the detail of the figures. Mr Steven Vrolijk at ING Bank upgraded his 1995 earnings forecast to Fl 7.10 and said that the group's 30 per cent undervaluation against the Dutch market reflected the growing profits contribution from cyclical semiconductor activities.

The threat to dollar earnings was blamed for a fall in DSM, the chemicals group losing Fl 3.20 at Fl 134.

STOCKHOLM hosted a sheaf of company results, some of them better than expected, but the Affärsvärlden General index fell 3.88 to 2,093.16, in turnover increased from SKr1.73bn to SKr2.47bn.

FT-SE Actuaries Share Indices

Feb 22							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1302.68	1303.21	1303.13	1303.04	1303.05	1304.13	1303.85	1305.02
FT-SE Eurotrack 200	1363.88	1365.42	1364.48	1364.83	1363.31	1363.83	1363.35	1365.08
	Feb 21	Feb 20	Feb 17	Feb 16	Feb 15			
FT-SE Eurotrack 100	1309.87	1314.92	1322.06	1329.52	1343.83			
FT-SE Eurotrack 200	1367.32	1367.73	1377.81	1363.58	1394.10			

Base 1000 (26/10/90); High/day: 100 - 1307.26; 200 - 1367.03 Low/day: 100 - 1302.49 200 - 1361.91 † Partial

A 23 per cent rise to SKr9.62bn in pre-tax profits at Astra, the pharmaceuticals company, put it about SKr200m below outside targets and the B shares fell SKr4 or 2.1 per cent to SKr188.5. A 48 per cent lift in profits left Atlas Copco SKr1.50 lower at SKr99.

On the positive side, higher earnings took Aga, the industrial gas group, up SKr4 to SKr78.50 and Investor's proposal to split its Saab and Scania subsidiaries left the parent SKr4 higher at SKr202.

FRANKFURT stayed nervous about the rising D-Mark. The Dax index eased 3.88 to 2,093.16 on the session and refused to follow Wall Street up after hours, closing 5.56 lower at an Ibis-indicated 2,096.26.

Turnover fell from DM5.2bn to DM4.6bn. The IG Metall strike vote produced no obvious further weakness in Bavaria, BMW rising DM5.70 to DM770, while Volkswagen, in Wolfsburg, fell DM5.50 to DM400.50.

Elsewhere in blue chips, Commerzbank's plans for a 10-for-one share split left the market unmoved, the DM50 shares rising just 40 pfg to DM337. Among second liners, the computer maker Escom saw more rapid sales growth in 1995, joined the 10-for-one share split brigade and rose DM9.20 or 3.8 per cent to DM250.

MILAN reacted with an initial fall as investors absorbed the rise in the discount rate by the Bank of Italy to support the lira.

However, the market picked up slightly in late trade, with the real time Mibtel, which had hit a low of 10,075, closing with a loss of 122 at 10,140. The *Comit index fell 9.29 to 632.51.*

While the weakness of the domestic currency kept investors wary, the fact that the mini-budget had yet to be presented to parliament acted as a further disincentive. Thoughts were also turning to the timing of the next general election, particularly after a member of Forza Italia called on party members to vote against the budget.

Mr Guiseppe Bonini at Intersim in Milan commented that since the present administration was only of an interim nature, and had won the confidence of parliament to pursue a limited mandate, an early election, perhaps as soon as the budget had been ratified, was preferable to waiting until the summer.

Ferruzzi and Montedison gained strength on a return of rumours that there might be a merger between the two companies. The shares advanced respectively by L80 and L20 to L1,211 and L1,213.

PARIS could not mount any significant move on the first day of the new account, and the CAC-40 index was left down 1.25 at 1,804.37. Turnover reflected the session's torpor, at just FFr2bn following Tuesday's FFr4bn.

One of the day's best moves came from Accor, the hotel and restaurant group, which gained FFr13 or 2.4 per cent at FFr550 after reporting a 2 per cent rise in 1994 turnover.

MADRID resisted pressure on the peseta, the general index closing 1.25 lower at 280.62; but the weakness of the dollar hit Viscofan, the sausage skin maker whose sales are primarily for export and which ended Pta105 or 5.5 per cent down at Pta1,810.

ZURICH featured a buy recommendation for Sulzer, up SFr20 to SFr793 as the SMI index rose just 0.4 to 2,610.0.

TEL AVIV dropped 3.5 per cent, the Mishtanim index finishing 5.53 weaker at 151.76 on fears that provident funds, previously willing to buy on the downtrend, would desert the equity market this time. Index bonds had lost 1.44 per cent in the previous four days as provident funds unloaded government issues.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

DC reports hit region as Shanghai 'A's soar

Hong Kong led a phalanx of falls in markets sensitive, among other concerns, to the dollar and the Washington Post report that the District of Columbia was insolvent. The market was disturbed partly by the Washington DC story, but more by the disappointing results of a much anticipated government land auction.

The Hang Seng index dropped 173.02 or 2.1 per cent to 7,909.27 in turnover of around HK2.9bn.

Of the five lots offered, the key site brought a price within expectations, another exceeded expectations, and the three other sites were withdrawn for lack of bids.

Both sites that were sold were residential which, said analysts, pointed to the fledgling recovery of the residential property market, while the three withdrawn sites were industrial and commercial plots in non-prime locations.

Profit-taking hit developers, which had jumped on Tuesday. Cheung Kong fell 80 cents to HK$31.40, SHK Properties HK$1.30 to HK$47.70 and Henderson Land HK$1 to HK$37.50.

The H-share index of China-incorporated companies shed 2.75 per cent following Tuesday's rebound. The China-backed Shougang Concord International, whose chairman has been detained in Beijing, slid 4 cents to HK$1.51.

Tokyo

Late afternoon selling eroded early gains and the Nikkei 225 average closed marginally higher, *writes Emiko Terazono in Tokyo.*

The index was finally up 10.40 at 18,106.65 after fluctuating between 18,106.55 and 18,270.54. Higher futures prices in Chicago prompted arbitrage buying, but share prices later lost ground as investors adjusted their positions.

Volume was 380m shares, against 341.8m. Arbitrage activity and cross trading dominated the day's transactions. Traders said cross trading accounted for some 50 per cent of the morning's activity, and that genuine trading was thin.

The Topix index of all first section stocks lost 0.53 at 1,401.71 and the Nikkei 300 edged up 0.06 to 257.62.

Declines led advances by 549 to 438, with 194 issues unchanged. In London the ISE/Nikkei 50 index put on 2.12 at 1,144.99.

Some analysts said the prolonged parliamentary debate over the public rescue of two defunct credit institutions was weighing on market sentiment.

Mr Alex Kinmont, a strategist at Morgan Stanley, said that while the alleged involvement of leading politicians and businessmen in the affair had not been a great surprise, the fact that the financial authorities had decided to rescue the institutions had hit investor confidence, and hurt the credibility of the Bank of Japan and the Ministry of Finance.

Some foreign investors were seen buying back high-technology companies which had announced favourable earnings figures during the past week. Matsushita Electric Industrial and Sony both rallied Y20 to Y1,390 and Y4,450 respectively.

Japan Tobacco shed Y8,000 to Y856,000: the stock has fallen 40.4 per cent from its initial offering price last October.

In Osaka, the OSE average gained 45.69 at 19,684.01 in volume of 108m shares. Murata Manufacturing advanced Y110 to Y3,180 on reports that demand for its products was supporting a rise in earnings for the current year.

Roundup

Foreign investors in Shanghai and Shenzhen did not share the apparent enthusiasm of domestic investors. Karachi was closed for a local holiday.

SHANGHAI's A shares surged 10.4 per cent in speculative trading, while the Bs, open to foreign investors, fell 0.7 per cent, the indices rising 57.92 to 613.86 and dipping 0.42 to 55.44 respectively.

Brokers said the speculation surrounded rights issues and cash dividends by A share issuers, as nine A share companies announced rights issues and cash dividend plans.

SHENZHEN As hit a high for the year, climbing 14.32 or 11.3 per cent to 140.80, but its B share index declined 1.26 or 1.7 per cent to an all-time low of 74.73. Brokers, who expected heavy profit-taking today, said most of the gains came on late afternoon buying which reflected the return of large amounts of funds to equities from the domestic bond market, which saw record turnover on Tuesday.

SINGAPORE slid 2.5 per cent on the DC report, the Straits Times Industrial index losing 51.82 at 2,053.32. **KUALA LUMPUR's** composite index fell 30.03 or 3.1 per cent to 941.07, adding rumours of disappointing corporate earnings to its American concerns. **BANGKOK**, too, blamed DC worries as the SET index shed 22.36 to 1,265.95.

BOMBAY's traders continued to widen their spreads in a defensive reaction to distress selling as the BSE-30 index fell another 47.52 or 1.45 per cent to 3,233.31. **COLOMBO** closed at a 16-month low on general selling, the All-share index dropping 14.25 to 797.36.

SYDNEY featured News Corporation, up 22 cents or 3.8 per cent at A$5.89 on a UBS upgrade as the All Ordinaries index finished 21.9 ahead at 1,879.6. News Corp shares were expected to get a boost from a decision late on Friday by NBC to withdraw challenges to the ownership of Fox network television stations by News Corp.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 21 1995								MONDAY FEBRUARY 20 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	160.25	0.9	150.29	98.69	123.27	143.72	0.3	4.07	158.67	148.72	97.34	121.86	143.31	181.43	157.95	176.45
Austria (16)	173.18	0.1	168.05	110.35	137.83	137.87	0.7	1.18	178.93	167.49	109.62	137.01	136.97	198.89	167.46	184.55
Belgium (35)	172.73	-0.7	162.00	106.37	132.87	129.83	-0.2	4.25	173.96	162.84	106.58	133.21	130.14	177.04	161.53	166.58
Brazil (26)	113.80	-4.0	106.73	70.08	87.53	176.26	-3.9	1.76	118.57	110.99	72.64	90.79	183.43	-	-	-
Canada (103)	126.63	0.3	118.76	77.98	97.40	128.25	-0.1	2.72	126.21	118.15	77.33	96.64	128.44	141.01	120.54	134.13
Denmark (33)	260.40	-0.3	244.22	160.36	200.30	206.99	0.1	1.48	261.21	244.52	160.04	200.02	206.71	275.27	236.61	271.02
Finland (24)	182.11	-0.9	170.79	112.15	140.08	174.69	-0.8	0.97	183.76	172.02	112.58	140.71	176.10	201.41	133.88	148.17
France (101)	163.78	-0.4	153.59	100.85	125.97	132.39	0.1	3.26	164.48	153.97	100.77	125.95	132.28	181.44	157.79	176.20
Germany (58)	148.44	-0.7	139.22	91.42	114.19	114.19	-0.2	1.83	149.41	139.87	91.54	114.41	114.41	150.40	126.94	132.32
Hong Kong (56)	327.86	2.2	307.50	201.91	252.21	325.39	2.2	3.87	320.66	300.18	196.47	245.55	318.26	433.46	277.40	421.09
Ireland (16)	213.66	-0.5	200.39	131.58	164.36	191.20	-0.4	3.40	214.77	201.05	131.59	164.47	191.96	218.60	177.56	193.53
Italy (56)	76.89	-3.1	72.11	47.35	59.15	92.77	-1.9	1.68	79.35	74.28	48.62	60.77	94.60	97.78	67.25	77.89
Japan (484)	144.42	0.0	135.45	88.94	111.09	88.94	0.6	0.86	144.37	135.15	88.45	110.55	88.45	170.10	139.45	148.34
Malaysia (97)	486.01	-1.8	455.83	299.31	373.86	478.04	-1.8	1.76	494.88	463.26	303.20	378.96	486.99	594.76	398.16	504.30
Mexico (16)	947.35	-0.2	888.50	583.41	728.72	5598.40	-4.5	1.94	949.34	888.68	581.64	726.95	5864.47	2492.84	905.27	2492.84
Netherland (19)	225.97	-0.4	211.94	139.16	173.83	171.10	0.0	3.37	226.86	212.37	138.99	173.72	171.04	228.86	191.28	202.60
New Zealand (14)	73.20	0.1	68.65	45.08	56.31	61.20	-0.6	4.82	73.10	68.43	44.79	56.98	61.54	77.20	62.05	70.00
Norway (23)	209.10	-2.3	196.11	128.77	160.84	184.77	-1.8	1.98	213.96	200.30	131.10	163.85	188.14	216.03	177.53	200.16
Singapore (44)	346.40	-1.0	324.88	213.33	266.46	231.99	-1.0	1.85	350.01	327.65	214.44	268.02	234.26	401.39	294.66	346.74
South Africa (59)	305.89	-0.1	286.89	188.38	235.30	256.40	-0.2	2.65	306.25	286.68	187.63	234.61	256.83	342.00	206.55	246.81
Spain (38)	132.59	-0.6	124.35	81.65	101.99	130.00	0.0	4.37	133.42	124.89	81.74	102.16	130.02	150.21	124.87	145.66
Sweden (48)	245.08	-0.1	229.86	150.93	188.52	265.57	0.3	1.66	245.34	229.67	150.32	187.87	264.88	247.40	196.70	225.01
Switzerland (47)	171.18	0.1	160.55	105.42	131.68	132.72	0.5	1.84	171.05	160.12	104.80	130.98	132.10	171.18	149.91	166.41
Thailand (46)	146.88	-1.8	137.75	90.45	112.98	142.23	-1.9	2.98	149.60	140.04	91.66	114.56	144.92	-	-	-
United Kingdom (204)	193.92	-0.1	181.87	119.42	149.17	181.87	0.1	4.29	194.04	181.64	118.88	148.58	181.64	205.58	181.11	202.38
USA (513)	197.66	0.1	185.38	121.72	152.04	197.66	0.1	2.85	197.41	184.80	120.95	151.17	197.41	198.70	178.95	190.22
Americas (662)	181.01	0.1	169.77	111.47	139.24	151.69	0.0	2.83	180.85	169.30	110.80	138.49	151.65	-	-	-
Europe (720)	171.38	-0.5	160.73	105.54	131.83	148.80	-0.1	3.15	172.15	161.15	105.47	131.82	148.87	176.01	160.59	170.80
Nordic (128)	232.64	-0.5	218.19	143.27	178.95	212.81	-0.1	1.55	233.72	218.78	143.19	178.97	213.04	235.72	197.70	215.85
Pacific Basin (809)	152.56	0.1	143.09	93.95	117.36	98.41	0.5	1.24	152.42	142.68	93.39	116.72	97.92	176.88	145.88	159.19
Euro-Pacific (1529)	160.31	-0.1	150.35	98.72	123.31	117.88	0.2	2.09	160.54	150.29	98.36	122.94	117.59	175.14	154.73	163.87
North America (616)	193.25	0.1	181.25	119.02	148.66	192.95	0.1	2.85	193.00	180.67	118.25	147.79	192.74	194.20	175.67	186.74
Europe Ex. UK (516)	155.18	-0.7	145.54	95.57	119.37	129.05	-0.1	2.51	156.21	146.23	95.71	119.62	129.24	158.12	144.12	150.46
Pacific Ex. Japan (325)	232.53	0.4	218.09	143.20	178.87	205.99	0.2	3.27	231.57	216.78	141.88	177.33	205.54	273.84	211.19	263.98
World Ex. US (1737)	160.52	-0.2	150.55	98.86	123.48	120.70	0.2	2.11	160.78	150.51	98.51	123.12	120.48	176.65	155.42	165.61
World Ex. UK (2046)	169.47	-0.1	158.94	104.37	130.36	139.77	0.2	2.18	169.56	158.73	103.89	129.84	139.54	178.59	163.48	169.88
World Ex. Japan (1766)	187.76	-0.1	176.10	115.63	144.43	177.01	0.0	2.98	187.93	175.92	115.14	143.91	176.99	192.00	176.34	187.43
The World Index (2250)	171.63	-0.1	160.97	105.69	132.02	143.57	0.2	2.38	171.72	160.75	105.21	131.50	143.34	180.80	165.92	172.72

Latest prices were unavailable for this edition.

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